Aspen Pharmacare Holdings Limited Annual Report 2011

aspen
HOLDINGS

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Scope of report

This year, Aspen Pharmacare Holdings Ltd has taken the first steps towards preparing an Integrated Report in accordance with the King Report on Governance for South Africa, 2009 ("King III"). Aspen's Integrated Report aims to provide an understanding of the Group's strategic objectives, the progress made in pursuing these objectives, challenges to which Aspen is exposed, the key measures of the Group's achievements as well as the governance framework which regulates the conduct of the business. All these aspects, interwoven together, represent the fabric of the business that is Aspen.

The Annual Report consists of the Integrated Report, the Sustainability Report, the audited Annual Financial Statements and Shareholders' Information. The Aspen Annual Report, including the Integrated Report, covers the operations of Aspen Pharmacare Holdings Ltd and its material subsidiaries except where the scope is specifically stated as limited, for the financial year ended 30 June 2011.

The 2011 Annual Report is available in hard copy upon request from the registered office, and is also on the Group's website: www.aspenpharma.com.

Performance highlights

Revenue from continuing operations increased 29% to R12,4 billion

Normalised headline earnings from continuing operations increased 29% to R2,4 billion

Normalised diluted headline earnings per share from continuing operations increased 20% to 523,3 cents

Normalised operating cash flow per share from continuing operations increased 23% to 580,9 cents

Aspen has a proud heritage dating back more than 160 years. We are committed to sustaining life and healthcare through increasing access to our high quality, effective and affordable medicines.

Through a process of global expansion, the Group has extended its healthcare reach to approximately 100 territories across the world, considerably increasing the number of lives that benefit from Aspen products. Our extensive basket of products ensures that we are able to treat a broad spectrum of acute and chronic conditions experienced throughout all stages of life.

Distribution to shareholders increased 50% to 105 cents

Revised **debt arrangements** allow for independent, unencumbered funding in three specified "debt pools"

Acquisition of **the Sigma pharmaceutical business** completed on 31 January 2011 for R6,1 billion

Integration of the Sigma pharmaceutical business into the Asia Pacific region **well advanced** and **ahead of the initial plan**

Leading provider of ARVs in South Africa covering approximately one million lives

Corporate social investment programmes reach 879 000 beneficiaries

Renewable energy feasibility study undertaken at South African manufacturing sites

South African manufacturing sites participate in **Carbon Disclosure Project**

King III governance guidelines adopted and first Integrated Report published

Manufacturing capabilities







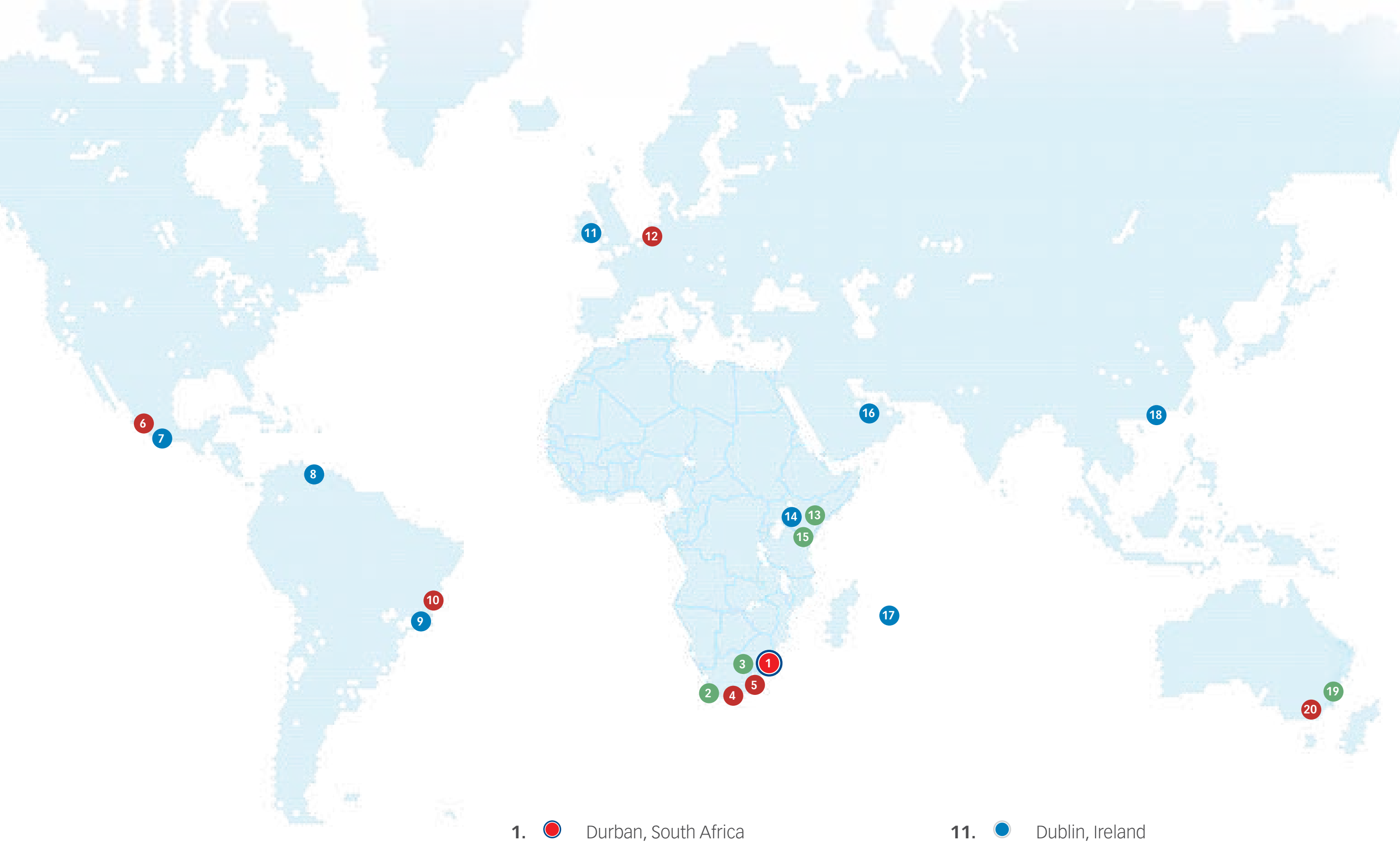
Sites	Accreditation
Port Elizabeth: Unit 1	MCC, PIC, MHRA, US FDA, WHO, ANVISA, GCC, TGA
Port Elizabeth: Unit 2	MCC, PIC (inspection pending)
Port Elizabeth: Unit 3	MCC, PIC
Port Elizabeth: Sterile facility Multi product suite	MCC, PIC, MCC certificate for exports (MCC CPP)
Port Elizabeth: Sterile facility High potency suite	MCC, PIC (report pending)
East London: Multi product facility	MCC, PIC
East London: Oral contraceptives facility	MCC, PIC
Johannesburg: Aspen Nutritionals	HACCP Certificate (PPECB)
Cape Town: Fine Chemicals Corporation	MCC, PIC, US FDA, PMDA (Japan)
Melbourne: Dandenong	TGA, Republic of Yemen and United Arab Emirates regulatory authorities
Melbourne: Croydon	TGA, PMDA (Japan), Republic of Yemen and United Arab Emirates regulatory authorities
Melbourne: Noble Park	TGA, PMDA (Japan)
Sydney: Baulkham Hills	TGA, APVMA, Republic of Yemen regulatory authority
Bad Oldesloe	German regulatory authority, ANVISA, Saudi Arabia and Libyan regulatory authorities, German ISO 9001:2000
Dar-Es-Salaam: Shelys	TFDA, PIC, NDA (Ethiopia and Uganda), PPB, GFDB, PIC, PMPB, Pharmaceutical Regulatory Authority (Zambia), Ministry of Health (Democratic Republic of Congo)
Nairobi: Beta	PPB, NDA (Uganda), PMDA (Malawi – report pending), TFDA (report pending)
Vittória	ANVISA, GMP Certificate
Toluca	COFEPRIS

Global presence

Aspen is a supplier of branded and generic pharmaceuticals in approximately 100 countries across the globe and of consumer and nutritional products in selected territories.

Aspen is represented in South Africa, Australia, Hong Kong, Kenya, Tanzania, Uganda, Dubai, Germany, Ireland, Mauritius, Brazil, Mexico and Venezuela. The Group has 18 manufacturing facilities at 13 sites on five continents. Four of the sites are located in South Africa, four in Australia and one of each in Brazil, Germany, Kenya, Mexico and Tanzania.

Aspen has production capabilities for a wide variety of product types including tablets, capsules, steriles, injectables, oral contraceptives, nutritional products, lyophilised vials, cytotoxics, suppositories, vials, form-filled seals, liquids, semi-solids and specialist active pharmaceutical ingredients ("APIs").



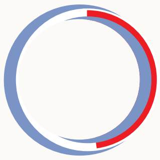
1. Durban, South Africa
2. Cape Town, South Africa
3. Johannesburg, South Africa
4. Port Elizabeth, South Africa
5. East London, South Africa
6. Toluca, Mexico
7. Mexico City, Mexico
8. Caracas, Venezuela
9. Rio de Janeiro, Brazil
10. Vittória, Brazil
11. Dublin, Ireland
12. Bad Oldesloe, Germany
13. Nairobi, Kenya
14. Kampala, Uganda
15. Dar es Salaam, Tanzania
16. Dubai, United Arab Emirates
17. Grand Bay, Mauritius
18. Quarry Bay, Hong Kong
19. Sydney, Australia
20. Melbourne, Australia

Group headquarters *Combined sales, marketing, distribution and manufacturing centres*
Sales, marketing and distribution centres *Manufacturing sites*

Group at a glance

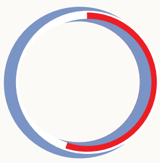
Segment gross revenue and earnings before interest, tax and amortisation (EBITA*) | **Customer geography** | **Aspen's business model** | **Key operating companies**

South Africa – Revenue



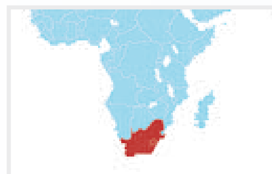
48% of Group

South Africa – EBITA*



55% of Group

South Africa
Sales, marketing and distribution

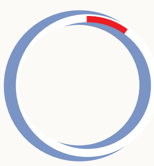


Sales, Marketing and Distribution
The South African business provides a diverse basket of high quality, affordable products which are supplied to pharmacies, retail pharmacy chains, hospitals, clinics, prescribing specialists, dispensing general practitioners, managed healthcare funders and retail stores across the private and public sectors in South Africa and to selected neighbouring territories. APIs are sold into South Africa and to export territories globally. Aspen's comprehensive range of products offers the convenience of a "one-stop-shop" service to its broad base of customers.

Operations (Manufacturing)
Aspen is one of the largest generic manufacturers in the Southern hemisphere with the capability of producing a diverse range of high quality, cost effective products for South Africa and selected export territories. Aspen has four manufacturing sites in South Africa. Finished dosage form pharmaceutical products are manufactured at the Port Elizabeth and East London sites, infant milk formula is manufactured in Johannesburg and specialist APIs are produced at the FCC site in Cape Town.

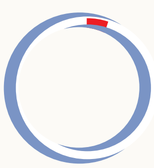
- Pharmacare Ltd, comprising:
  Sales and Marketing
  South African Operations
  Aspen Nutritionals
- Fine Chemicals Corporation (Pty) Ltd ("FCC")

Sub-Saharan Africa – Revenue



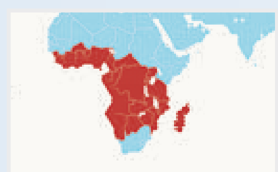
10% of Group

Sub-Saharan Africa – EBITA*



5% of Group

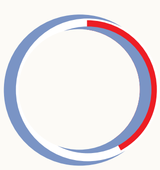
Sub-Saharan Africa



Aspen in sub-Saharan Africa ("SSA")
Aspen's presence in SSA is through its subsidiary, Shelys Pharmaceuticals Ltd ("Shelys"), the GSK Aspen Healthcare for Africa collaboration ("the Collaboration") and the export of products from South Africa into the territory. Aspen supplies a range of high quality products which are relevant to disease profiles in SSA and which are made accessible through a strong distribution network across key territories in the region. The Group has manufacturing sites in Tanzania and Kenya to supply territories in East Africa.

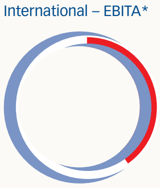
- East Africa – Shelys which comprises:
  - Tanzania – Shelys Pharmaceuticals Ltd
  - Kenya and Uganda – Beta Healthcare (Uganda) Ltd and Beta Healthcare International Ltd (collectively "Beta")
  - SSA – the Collaboration

International – Revenue



42% of Group

International – EBITA*



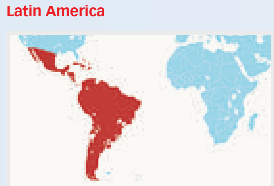
40% of Group

Asia Pacific

Aspen in Asia Pacific
Aspen's business in Asia Pacific is centered in Sydney, Australia. The Australian business is run from Sydney with the largest of four manufacturing sites in Melbourne. Aspen's base business was primarily focused on the distribution of branded and consumer products. Following the acquisition and integration of the pharmaceutical division of Sigma Pharmaceuticals Ltd acquired with effect from 31 January 2011 ("the Sigma pharmaceutical business"), Aspen offers a unique "one-stop-shop" portfolio of branded, generic, OTC, and consumer products to customers in Australia, New Zealand and selected export territories. The business in South East Asia is managed from Hong Kong and is primarily based on Aspen's global brands portfolio.

- Australia – Aspen Pharmacare Australia Pty Ltd ("Aspen Australia") and Aspen Asia Pacific (Pty) Ltd ("Aspen Asia Pacific")
- Hong Kong – Aspen (Hong Kong)

Latin America



Latin America
Aspen's business in Latin America comprises operating subsidiaries in Brazil, Mexico and Venezuela as well as distribution to the remaining markets in South and Central America. Products are sold into the private and public sectors with the focus being on growing the private market business with a range of branded pharmaceutical products. The Group has manufacturing sites in Brazil and in Mexico for limited domestic supply. Latin America represents a market with significant potential which has been targeted as a future growth opportunity.

- Brazil – Aspen Pharma – Indústria Farmacêutica Ltda ("Aspen Brazil")
- Mexico – Aspen Labs S.A. de CV and Solara de C.V. (collectively "Aspen Mexico")
- Venezuela – Aspen Venezuela CA ("Aspen Venezuela")

Rest of the World

Rest of the World
Aspen's business in the Rest of the World comprises the International business holding company in Mauritius which also owns, manages and commercialises the global brands portfolio, distributing products to approximately 100 countries where Aspen products are sold. It also includes the strategically important manufacturing site at Bad Oldesloe, Germany.

- Mauritius – Aspen Global Incorporated ("Aspen Global")
- Germany – Aspen Bad Oldesloe GmbH ("Aspen Bad Oldesloe")
- Dubai – Aspen Health Care FZ LLC ("Aspen Dubai")
- Ireland – Aspen Pharma Trading Ltd

**EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Group at a glance

Key facts	Product categories offered	Key territories supplied to	Leading brands
• Pharmaceutical gross revenue: R5,2 billion • Consumer revenue: R1,1 billion • % contribution to Group gross revenue: 48% • IMS Health (Pty) Ltd ("IMS") Market ranking: 1st • Number of employees: 3 712 • Commencement of business by Aspen: 1997 • Heritage business dates back to 1850	• Branded pharmaceutical products • Generic pharmaceutical products • Over-the-counter ("OTC") products • Consumer goods including infant milk formula • Specialist APIs	• South Africa • Namibia • Botswana • Lesotho • Swaziland	• Altosec • Aspen Efavirenz • Aspen Lamzid • CiLift • Flusin • Foxair • Infacare • Mybulen • Seretide • Woodwards Gripe Water
	• Capsules • Creams • Infant milk formula • Inhalers • Liquids • Lyophilised vials • Nasal sprays • Ointments • Oral contraceptives • Specialist APIs • Sterile eye drops • Sterile injectables • Suppositories • Tablets	• Asia Pacific • Latin America • South Africa • Sub-Saharan Africa	

• Gross revenue: R1,3 billion
• % contribution to Group gross revenue: 10%
• IMS Market ranking: IMS not available for SSA
• Number of employees: 696
• Commencement of business by Aspen:
  • Exports – 2001
  • Shelys – 2008
  • The Collaboration – 2009
	• Branded pharmaceutical products
	• Generic pharmaceutical products
	• OTC products
	• Consumer goods including infant milk formula
		• Anglophone Africa
		• French West Africa
		• Kenya
		• Tanzania
		• Uganda
			• Amoxil
			• Action
			• Betasil
			• Diclopar
			• Mara Moja

• Gross revenue: R3,1 billion • % contribution to Group gross revenue: 23% • IMS Market ranking: 7th • Number of employees: 768 • Commencement of business by Aspen: 2001	• Branded pharmaceutical products • Generic pharmaceutical products • OTC products • Consumer goods	• Australia • Japan • New Zealand • Philippines • Malaysia	• Cardizem • Chlorsig • Coloxyl • Keflex • Murine • Tritrace

• Gross revenue: R0,9 billion
• % contribution to Group gross revenue: 7%
• IMS Market ranking:
  • Brazil – 67th
  • Mexico – 50th
  • Venezuela – 78th
• Number of employees: 709
• Commencement of business by Aspen: 2008
	• Branded pharmaceutical products
	• Generic pharmaceutical products
	• OTC products
		• Brazil
		• Mexico
		• Venezuela
			• Calman
			• Giamebil
			• Insunorm
			• Melxi
			• Zyloprim

• Gross revenue: R1,6 billion • % contribution to Group gross revenue: 12% • IMS Market ranking: Not applicable • Number of employees: 434 • Commencement of business by Aspen: 2001	• Branded pharmaceutical products • Generic pharmaceutical products	• Asia Pacific • Latin America • South Africa • SSA • Central Europe • Eastern Europe • Middle East • North Africa • Canada	• Aggrastat • Alkeran • Eltroxin • Imuran • Lanoxin • Purinethol • Septrin • Zyloric

Timeline of the Aspen Group's evolution

1850
- The commencement of the business in Port Elizabeth, South Africa, which later became Lennon Ltd, the originator company to the Group today.

1997
- Aspen Healthcare (Pty) Ltd began trading with Stephen Saad and Gus Attridge as two of the four founder members.

1998
- Aspen was listed on the JSE Ltd ("JSE") through the reverse take-over of Medhold Ltd.

1999
- Aspen acquired the pharmaceutical business of South African Druggists for R2,4 billion in a hostile take-over.

2000
- Construction commenced on a new oral contraceptive manufacturing facility at the East London site in South Africa.

2001
- Aspen Australia commenced trade as a start-up operation.
- Nelson Mandela officiated the opening of a clinic constructed for the disadvantaged citizens of Engobo, South Africa, the first of the community clinics established under Aspen's Corporate Social Investment ("CSI") programme.

2002
- Aspen concluded a Broad-Based Black Economic Empowerment ("BBBEE") deal with CEPPWAWU Investments (Pty) Ltd, the investment arm of the trade union representing the majority of Aspen's labour force in South Africa.
- Aspen's new corporate identity was launched symbolising energy, innovation and nurturing.

2003
- Aspen entered into a fostering arrangement with GlaxoSmithKline ("GSK") for the marketing and distribution of 40 branded products into the South African private sector.
- Aspen Stavudine was launched – Africa's first generic antiretroviral ("ARV").

2004
- Aspen acquired FCC, the only South African manufacturer of APIs.
- Aspen acquired Infacare, the infant nutritional brand, from Dutch-based Royal Numico.
- Aspen's multi-million Rand Port Elizabeth-based Unit 1 facility became operational.

2005
- Aspen extended its BBBEE ownership through the conclusion of an empowerment transaction with the Imithi Consortium.
- Aspen's unit 1 facility in Port Elizabeth became the world's first manufacturer to receive tentative US FDA approval for the production of certain generic ARVs.

2007
- Prestige Brands Inc entered into an agreement with Aspen for the supply of eye drops from Aspen's Sterile facility in Port Elizabeth for the United States market.

2008
- Aspen entered the Latin American market through an investment with Strides Arcolab Ltd in businesses established in Brazil, Mexico and Venezuela.
- Aspen acquired 60% of the share capital of Shelys with businesses in Kenya, Tanzania and Uganda.
- Aspen Global acquired the intellectual property rights to four GSK branded products for R2,7 billion, enabling Aspen to distribute these global brands, namely Eltroxin, Imuran, Lanoxin and Zyloric, to more than 100 countries.

2009
- Aspen concluded a series of strategic transactions with GSK worth R4,6 billion comprising the acquisition of the rights to distribute GSK's pharmaceutical products in South Africa, the formation of the Collaboration to market and sell pharmaceuticals in SSA, the acquisition of eight specialist branded products for worldwide distribution and the acquisition of a manufacturing site in Bad Oldesloe, Germany.

2010
- Aspen acquired full control of the Latin American businesses acquired in 2008.

2011
- Aspen acquired the Sigma pharmaceutical business in Australia for R6,1 billion.

Capability	Capacity
High volume solids for the South African and export markets	6 billion tablets
Small to medium volume solids for the South African and export markets	4 billion tablets
Medium volume liquids. End state packing for the South African market	2 000 kilolitres of liquids
Eye drops and lyophilised vials for the South African and export markets	42 million units of eye drops 2,9 million units of lyophilised vials 1,4 million units of liquid-filled vials
High potency injectables (including hormonal) for the South African and export markets	19,6 million units of ampoules 50 million units of vials
Solids, semi-solids and liquids for the South African market	0,8 billion tablets 800 kilolitres of liquids 361 tons of semi-solids
High volume oral contraceptive tablets	0,4 billion tablets
Infant milk formula for the South African and export markets	7 700 metric tons of infant milk powder
Specialist APIs for the South African and export markets, including high potency APIs	1 150 tons of specialised APIs
High volume solids, liquids and semi-solids	2 billion tablets 1 721 tons of liquids
Low volume solid dose penicillins	0,1 billion tablets
Low volume solids, liquid, semi-solids and toxic products	0,1 billion tablets 411 tons of liquids 51 tons of semi-solids
Small volume solids	0,8 billion tablets
Small to medium volume solids, liquids and capability for toxic product	6 200 kilolitres of liquids 2,7 billion tablets 37 million units of blow fill seals
Small to medium volume solids, semi-solids, high volume liquids and penicillins	1,6 billion tablets 10 tons of semi-solids 1 500 kilolitres of liquids
Small to medium volume solids and fast moving consumer goods	1,2 million filled semi-solid tubes 0,5 billion tablets 270 kilolitres of liquids 600 tons of semi-solids
Small to medium volume solids and semi-solids	0,2 billion tablets 1,2 million filled semi-solid tubes
Small to medium volume solids	0,9 billion tablets

Definitions of regulatory authorities

APVMA	Australian Pesticides and Veterinary Medicines Authority
ANVISA	Brazillian National Health Surveillance Agency
CPP	Certificate of Pharmaceutical Product
COFEPRIS	Mexican Direction de Control Medicamentos
US FDA	United States Food and Drug Administration
GFDB	Ghana Food and Drugs Board
GMP	Good Manufacturing Practice
HACCP	South Africa Hazardous Analysis and Critical Control Points
MCC	South African Medicines Control Council
MHRA	United Kingdom Medicines and Health Products Regulatory Agency
NDA	Ugandan/Ethiopian National Drug Authority
PIC	Pharmaceutical Inspection Convention
PMDA	Japanese/Malawian Pharmaceutical and Medical Device Agency
PMPB	Malawian Pharmacy, Medicines and Poisons Board
PPB	Kenyan Pharmacy and Poisons Board
PPECB	South African Perishable Products Export Control Board
TGA	Australian Therapeutic Goods Administration
TFDA	Tanzanian Food and Drug Authority
WHO	World Health Organisation

Key performance indicators

Material issue	Key performance indicator	Relevance of indicator to the business	Achievement			Implication of performance to the business
			2011	2010	2009	
Supplying customers with high quality and safe products	Number of product recalls	Aspen prides itself in the quality of its supplied products. Product recalls represent those products which the regulatory authorities determine to be potentially harmful to patients and consequently require to be recalled from all customers to which they were supplied. Product recalls are an indicator of the extent to which quality systems are effective.	3	Zero	Not measured	Two of the product recalls arose because of recently acquired, older products needing modification to meet newly introduced technical requirements. This has been successfully undertaken. The third recall was necessary due to incorrect storage of the product by a third party which has been addressed. No adverse effects were experienced by patients. The product recall procedures proved effective.
Adding economic value to stakeholders	Return on ordinary shareholders' equity	Provides a measure of the productivity of ordinary shareholders' equity which can be benchmarked against other potential investments by shareholders.	18%	23%	39%	Return on ordinary shareholders' equity has been diluted in the past two years by the issue of new shares as part of the strategic transactions with GSK. Return on ordinary shareholders' equity remains superior to most investment options.
	Return on total assets	Provides a measure of the productivity of the assets of the Group which can be benchmarked against other companies.	17%	20%	24%	Recent acquisitions accounted for at fair value have substantially increased the asset base. Returns on the acquisition of the Sigma pharmaceutical business are expected to improve over time. The return on total assets remains favourable.
	Growth in gross revenue from continuing operations	Revenue is the foundation of business performance. It is the product of the volume of products sold and the price at which they are sold. Change in revenue is a leading indicator of the growth or contraction of a business.	+31%	+20%	+80%	The Group continues to exhibit positive expansion in gross revenue.
	EBITA* margin %	Indicates the EBITA* margin relative to sales achieved by the Group. The margin percentage is influenced by relative selling prices, relative cost of goods and operating expenses. EBITA* is the product of revenue and the EBITA* percentage. It is a leading indicator of the efficiency of profit generation.	26%	27%	27%	The EBITA* margin % is generally stable, indicating growth in revenue is being efficiently converted into growth in profit.
	Growth in EBITA*	Is a leading indicator of operating profitability growth. In order to provide a more sustainable view of performance, once-off items of income or expense, which are not expected to recur in future, are eliminated.	+28%	+19%	+82%	EBITA* has shown a sustained growth trend, indicating the effectiveness of development and implementation of Group strategy.

** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Material issue	Key performance indicator	Relevance of indicator to the business	Achievement			Implication of performance to the business
			2011	2010	2009	
Adding economic value to stakeholders (continued)	Growth in normalised, diluted headline earnings per share from continuing operations	The Group strives to continually improve its performance. Growth in normalised, diluted headline earnings per share measures earnings performance per share year-to-year in relative terms on a consistent and comparable basis. It is the leading indicator of overall improvement in earnings performance.	+20%	+20%	+65%	Earnings performance has been consistently strong, indicating that the effective development and implementation of Group strategy is translating to performance per share.
	IMS value of total product pipeline for the next five years	A leading indicator of the Group's potential organic revenue growth over the next five-year period. References the latest available IMS sales values for currently patented originator molecules which the Group is in the process of developing into generic equivalents of the originator product.	USD8,9 billion	USD6,7 billion	USD4,2 billion	The Group has been able to continue to expand its product pipeline, which should result in good support of organic growth in the next five years through new product launches in all regions.
	Value added per employee	The leading indicator of the productivity of the Group's permanent employees in value creation.	R1 029 000	R934 000	R868 000	The increasing value added per employee suggests improved employee productivity.
Market penetration	Market share and ranking for markets where this is recorded by IMS	Market share is an indicator of the relative participation of Aspen in a market. IMS provides an independent measure of market share which enables Aspen to assess its share of measured markets, relative size and growth or declines in market share.	South Africa: 17% (Ranked 1st)	South Africa: 17% (Ranked 1st)	South Africa: 13% (Ranked 1st)	Leadership position in South African retained.
			Australia: 4% (Ranked 7th)	Australia: 1% (Ranked 29th)	Australia: 1% (Ranked 29th)	Substantial increase in the significance of Aspen in the Australian market.
			Brazil: 0,3% (Ranked 54th)	Brazil: 0,3% (Ranked 52nd)	Brazil: 0,3% (Ranked 50th)	Market position's stable despite disposals.
			Mexico: 0,3% (Ranked 50th)	Mexico: 0,3% (Ranked 50th)	Mexico: 0,2% (Ranked 52nd)	Small growth in market share, great scope for growth.
			Venezuela: 0,1% (Ranked 78th)	Venezuela: 0,1% (Ranked 78th)	Venezuela: 0,1% (Ranked 75th)	Stable, great scope for growth.
Effective debt service management	Operating cash flow per share	The value per share of cash flows indicates the Group's ability to generate cash which is key to meeting cash outflow commitments.	565,0 cents	505,7 cents	361,1 cents	Operating cash flows have been strong and have followed the earnings growth trend, allowing the Group to increase distributions to shareholders.
	Net interest cover	Represents the number of times by which the Group's EBITA* exceeds its interest obligation. This is the leading indicator of the headroom the Group has in servicing its debt.	8 times	7 times	6 times	Well above the Group's internal threshold of five times covered, suggesting there is scope for taking on additional debt to fund appropriate future investments.

** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Performance highlights
Manufacturing capabilities
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Group Chief Executive's report

Key performance indicators continued

Material issue	Key performance indicator	Relevance of indicator to the business	Achievement			Implication of performance to the business
			2011	2010	2009	
Providing a safe working environment	Number of permanent disabling injuries	Aspen's occupational health and safety procedures are designed to provide a safe working environment for employees at all times and to limit the number of major injuries occurred while on duty. Permanent disabling injuries highlight a potential weakness in safety systems.	2	Zero	Zero	Factors giving rise to the injuries have been identified and appropriate remedial steps taken. No work related fatalities occurred.
Supporting transformation in South Africa	BBBEE accreditation	Measures Aspen's adherence to the BBBEE legislation in South Africa. Indicative of Aspen's success in contributing to transformation in South African society. Supports the credibility of the Group as a partner of choice in terms of South African preferential procurement criteria in the public and private sectors.	AA-rating (Level 3)	A-rating (Level 4)	A-rating (Level 4)	Significant progress has been made in Aspen's BBBEE initiatives. Customers of Aspen are able to claim 100% of the value of purchases from Aspen in determining their own BBBEE rating for preferential procurement purposes.
Developing human capital	Average staff turnover	Aspen strives to retain the skills, experience and contribution of its employees in alignment with business objectives. This ratio indicates the percentage of Aspen's permanent employees who have left the Group in the year.	16%	16%	Not measured	The average staff turnover has remained unchanged at the prior year level. The level of staff turnover does reflect an element of restructuring of employee profiles as the business is re-shaped following various acquisitions and also in response to increasing levels of automation in production.
	Training spend per employee	To promote the contribution made by each employee, Aspen invests in the enhancement of employees' capabilities aligned to the short- and medium-term business objectives.	R2 560	R2 946	Not measured	Training spend per employee has declined slightly as a consequence of the Group embarking on a project to eliminate ineffective training.
Providing primary healthcare support to communities	Number of CSI beneficiaries reached	Aspen's CSI is driven by the philosophy, "Healthcare. We Care". This initiative is focused on improving access to primary healthcare for a wide number of beneficiaries in underprivileged communities, mainly in South Africa, by so doing advancing the social well-being of those supported.	879 000	788 000	Not quantified	Aspen is playing an increasingly important role in supporting the healthcare of communities in need.

Material issue	Key performance indicator	Relevance of indicator to the business	Achievement 2011	2010	2009	Implication of performance to the business
Conserving scarce resources	Volume of electricity consumed	Electricity provides the primary source of power to the Group's manufacturing sites. It is an increasingly expensive commodity. In many markets there is a risk of supply interruptions at times of excess load on the source of supply. Efficient electricity utilisation supports lower costs of production and reduces demand, prolonging energy sources.	123 449MWh	76 786MWh	Not measured	As the Group has expanded its manufacturing over the past year with the first full year of production from Unit 2 in Port Elizabeth, the recommencement of production in the drying tower at Aspen Nutritionals and the additional manufacturing sites in the acquired Sigma pharmaceutical business. This increased electricity consumption, reinforcing the Group's need to pursue its energy saving projects.
	Volume of water used	Water is essential for the manufacture of Aspen's products, as an energy source (steam), as a lubricant in manufacture, as a delivery medium in liquid medicines, as a cooling agent in temperature control and as a cleaning material. As a limited resource in scarce supply, it is recognised that initiatives to curtail water utilisation will allow for more sustainable water availability.	477 351kl	418 321kl	Not measured	Water consumption has increased for the same reasons as electricity. This has been offset by the water conservation initiatives in South Africa.
Responsible management of the environment	Volume of greenhouse gas emissions	Aspen recognises that greenhouse gas emissions are required to be controlled in order to prevent environmental damage which could threaten global environmental sustainability. The Group therefore seeks to go beyond mere regulatory compliance in responsibly managing its carbon footprint.	Scope 1 emissions* 13 114 COE2 Scope 2 emissions* 34 934 COE2 **South Africa only*	Not measured	Not measured	By participating in the Carbon Disclosure Project ("CDP") with its South African manufacturing sites, Aspen has played a role in this global assessment programme and has established a benchmark for the ongoing measurement of greenhouse gas emissions.
	Volume of waste recycled	Waste recycling is undertaken to manage waste in an environmentally responsible and resourceful manner, extending utilisation of finite resources and limiting waste disposal. In addition to supporting the ecology, this is cost effective.	636 tons	297 tons	Not measured	The Group is making excellent progress through effective implementation of waste recycling initiatives, particularly in South Africa.
Conducting our business lawfully	Number of incidents of material non-compliance	Lawful compliance underpins an ordered and effective society. Aspen strives to conduct its business with due care and regard for all legislation relevant to the Group.	Zero	Zero	Zero	Aspen has maintained its objective of complying with all material legislation across all of the territories in which it conducts business.

Chairman's statement

A balance of entrepreneurialism and sound business fundamentals

Strong performance in volatile market conditions

Global markets are in a state of great uncertainty and volatility. Large fiscal and financial imbalances, high debt levels and slowing growth in advanced economies, particularly in the European Union, weigh heavily on policy makers and business leaders across the world. In this environment it is particularly gratifying for Aspen to be in a position where it has been able to report another excellent set of results. The performance in terms of revenue and profit growth was strong, but even more importantly in these times, this was supported by exceptional cash flows which reduced levels of gearing and by stable funding arrangements which put the Group on a very sound foundation to be able to engage in further investment should the appropriate opportunities arise. This is an enviable position to be in, given the economic challenges being faced around the world.

Governance directed by the Board

Aspen is in the fortunate position of being able to call upon a Board of Directors comprising a sound balance of skills, drawing from non-executives with experience and proven track records in business, the professions, the pharmaceutical industry and in corporate governance. This is complemented by the two executive directors, Stephen Saad and Gus Attridge, both founders of Aspen, who have, for more than a decade, been responsible for charting the Group's exceptional success. The Board is acutely aware of its responsibilities to shareholders and all other stakeholders, as the body which approves and regulates strategy, risk and governance for a global business which now has companies on five continents and distributes products to some 100 countries. Sustainability is clearly an aspect which requires and receives the Board's attention. There is a keen understanding that sustainability in all its forms is an imperative that requires due consideration in order to appreciate the risks and opportunities to which the Group is exposed. This has been made easier as sustainability and risk management have both been interwoven into the Group's strategy and have been an inherent element of the way Aspen has conducted its operations from the time it was listed as a small capitalisation stock in 1998. This has served the Group well in its evolution to a Top 40 stock and one of the Top 20 industrial companies on the JSE. In these times of burgeoning bureaucracy, advocated by some of the theoretical approaches to corporate governance, the Board has a responsibility to protect the fine balance of entrepreneurialism and sound business fundamentals which has contributed significantly to Aspen's record of sustained growth.

Based upon the guidance of King III, Aspen has for the first time this year undertaken the presentation of an Integrated Report of which this Chairman's statement forms a part. As a pioneering step in an area where form and content are evolving, this represents a starting point. From the information presented, stakeholders should be able to gain an improved understanding of the opportunities, risks and challenges facing the Group as well as the strategies in place to harness opportunities, mitigate risks and overcome challenges. In formulating the way forward, consideration has been taken of the important relationships with all of the Group's stakeholders. No doubt the Integrated Report will develop from year to year. This Board will endeavour to ensure future Integrated Reports remain relevant while being concise and understandable to all stakeholders.

Playing a crucial role in society

As a supplier of life-sustaining medicines, Aspen plays a crucial social role in supporting the health of patients in need. In the two countries where Aspen has its largest presence, South Africa and Australia, this role is further expanded as the leading provider of medicines in those countries. One in four of every prescription in South Africa and one in seven of every prescription in Australia being for an Aspen medicine. In Africa as a whole, the Group has played a critical role in bringing affordable ARV treatment to the continent which has the highest prevalence of HIV/AIDS. Aspen was the first company to launch a generic ARV in Africa in 2003 and has been at the forefront of providing access to generic ARVs across the continent. Fortunately the Group has been joined by many other pharmaceutical companies and donor agencies in providing these medicines. In South Africa, Aspen continues to be the largest supplier of ARVs. The South African government runs the world's largest ARV treatment programme. In the tender for the supply of ARVs under this programme, adjudicated earlier in 2011, Aspen was awarded 41% of the value of the ARVs to be supplied over a two-year period.

Aspen's contribution is in keeping with the Department of Health's vision of providing "An accessible caring and high quality health system".

Supporting employees with HIV/AIDS

Given the high incidence of HIV/AIDS in South Africa, Aspen provides every assistance to its workforce in combating the disease. Voluntary testing and counselling is available to Aspen employees on a continuous basis and every two years the

"Effective implementation of strategy coupled with the continuous assessment and management of risks has been rewarded by another strong performance and has reinforced the sustainability of the Group."

Dr Judy Dlamini
Chairman

Chairman's statement continued

Company engages in a national drive to encourage testing. Aspen has engaged an external service provider to undertake these functions in order to safeguard the confidentiality of each employee. The external service provider also gives employees access to ARV treatment at Aspen's cost where the employee's health insurance does not provide cover. Based on the latest available data, it is confirmed that 5% of Aspen's workforce is suffering from HIV/AIDS. This is well below the national incidence of 11%. With available treatment and screening measures in place, HIV/AIDS is a manageable disease and does not represent an undue risk to the Group.

Two more community healthcare clinics completed

Aspen's CSI programme also has a high focus on supporting initiatives to combat and treat HIV/AIDS in South Africa. The focus of the present programme is the building, improvement and maintenance of a number of community clinics providing healthcare to those where access has been difficult or facilities have been absent. In all, nine clinics are sponsored by the Group under this programme with two new clinics having been completed in the last year. CSI is directed towards improvement and delivery of healthcare to communities. Of personal interest and gratification is the ongoing support provided to Umthombo Youth Development Fund which has been responsible for supporting the studies for healthcare professionals, including 50 doctors from impoverished rural backgrounds over the past 10 years.

Aspen has improved its accreditation to a Level 3 AA-rated BBBEE company in South Africa. Plans are in place to improve this ranking in the year ahead with particular initiatives underway in the areas of enterprise development, skills development and employment equity.

Protecting the environment

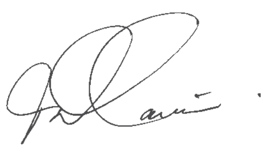
The pharmaceutical industry is by its nature highly regulated, including laws relating to emissions and waste disposal. The Group seeks to ensure compliance with the regulations of all territories within which it operates. In addition to this, the Group is engaging in further initiatives around environmental sustainability. Aspen's South African operations participated in the 2011 Carbon Disclosure Project. Investigations are also underway in Port Elizabeth to assess energy efficiency opportunities and the feasibility of renewable energy sources.

Appreciation for contributions made

Congratulations to all of the more than 6 300 people who made the past year such a successful one for the Group. Condolences are extended to the families of the 18 employees who passed on during the last year. These fatalities were non-work related. May their souls rest in peace. Thank you to all of our stakeholders for your valuable relationships which are so important to the Group. I am, as always, grateful to the Board of Directors for their wisdom and support over the past year. A particular thank you to David Nurek for his contribution to Aspen. David has announced his intention to retire from the Board before the forthcoming annual general meeting, after 10 years of exemplary service to Aspen. He has been a valuable member of the Board during a period of sustained success and growth. To all shareholders, I extend an invitation to attend the annual general meeting on 1 December 2011 and I look forward to meeting you there.

Positioned to take advantage of opportunities

The Group has sound prospects in the year ahead. The South African business will face a challenging year due to the persistence of economic and industry related headwinds experienced in the latter portion of the past year. However, this business is fundamentally in good shape which will become evident over the course of the year. The Asia Pacific region is in a strong growth phase that will propel the performance of the Group as a whole. The organic strategy in SSA should continue to yield positive results and the International business should benefit from improved cost of goods, the result of plans initiated shortly after acquiring the global brands in 2008 and 2009. The implementation of effective strategies over an extended period have resulted in Aspen being placed in a position of stability and strength in a difficult economic climate. It is often at times like these that the best opportunities arise and the Group is well positioned to respond.



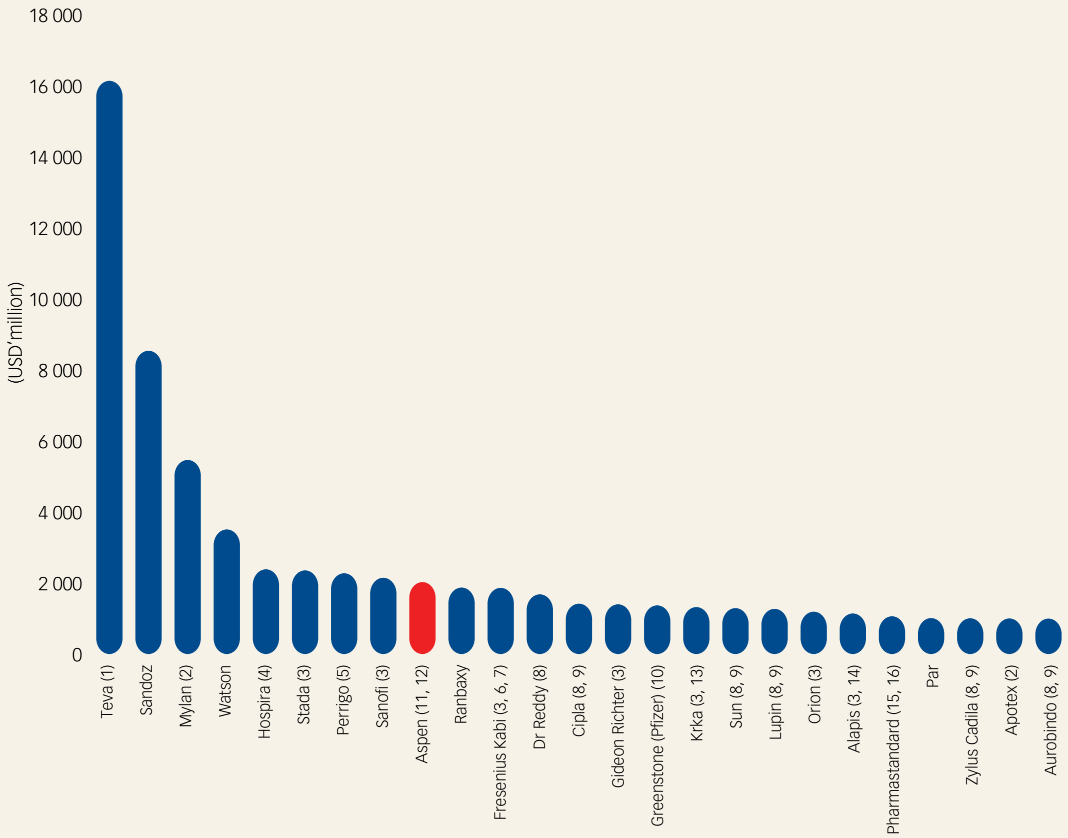
Dr Judy Dlamini
Chairman
21 October 2011

Accolades

- Aspen was ranked *The Leading Pharmaceutical Company in South Africa* in the 2011 Campbell Belman Confidence Predictor survey, as voted for by pharmacists, managed healthcare providers and funders.
- Aspen was ranked *Sector Leader: Healthcare* in the Nkonki Financial Mail Integrated Reporting Awards 2011.
- Aspen was ranked *sixth* in the Nkonki Financial Mail Integrated Reporting Awards 2011 and is recognised as one of the pioneers of Integrated Reporting in South Africa.
- Aspen was ranked *Fourth in the Healthcare and Pharmaceuticals Sector* in the Financial Mail Top Empowerment Companies 2011 survey.
- Aspen was ranked *Seventh in the Ownership Category* in the Financial Mail Top Empowerment Companies 2011 survey.
- Aspen was acknowledged as the *Netcare Ethical Supplier of the Year*.
- Aspen Venezuela received an award for the *Best Support Provider for Mobile Clinics* from Fundafarmacia (Social Pharmacies Foundation).
- Aspen Mexico was awarded the *Unique Environmental Licence (Licencia Ambiental Única)* by the Ministry of Environment and Natural Resources.
- Eyegene achieved *Superbrands* certification by the South African Superbrands Council 2011.
- Woodwards received a *Platinum award* at the Mama Magic Baby and Parenting Expo in South Africa.
- Aspen is the *Leading pharmaceutical company* in South Africa according to 2011 IMS results.
- Aspen Australia's field force was ranked *most effective and highly regarded* in that market by an independent survey conducted by Cegedim.
- Aspen Australia's Herron Pharmaceuticals, a brand acquired through the Sigma pharmaceutical business, was voted as one of the *Pharmaceutical industry's most trusted brands* by Australia's *Reader's Digest*.
- FCC was recognised as the *Best Enterprise* in the large enterprise category in the South African Department of Trade and Industry's Quality Awards 2011.
- Aspen received Frost and Sullivan's *Best Pharmaceutical Production Company* Award for Africa for 2011.
- Shelys in Tanzania received the *President's Manufacturer of the Year award* in the chemical and chemical products category.
- FCC received a *Certificate of Recognition* in the Large Enterprise Company of the Year category in the South African Development Community Annual Quality Award competition.

Aspen's global competitiveness

Top generic pharmaceutical companies by revenue

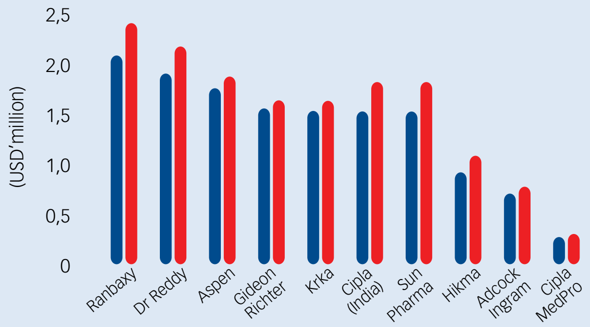


(1) Brand sales are in market for Copazone and Azilect plus those for respiratory and women's health
(2) Company presentation
(3) Reported in Euros, converted at EUR1,00 = USD1,4
(4) Speciality injectables sales only
(5) Financial year ended 26 June 2010, generics sales include OTC sales of USD1,83 billion
(6) Intravenous drugs only
(7) Organic growth quoted
(8) Financial year ended 31 March 2011
(9) Reported in Indian Rupees, converted at USD1,00 = R5,45
(10) IMS health figures for United States unbranded generics sales only for the year ended 30 November 2010
(11) Represents reported gross turnover at 30 June 2011
(12) Reported in Rand converted at USD1,00 = R6,97
(13) Prescription and self-medication products only
(14) Pharmaceutical sales only
(15) Reported in Russian Roubles, converted at USD1,00 = RUR28
(16) Includes OTC sales of USD558 million

Source: The total revenue per company has been extracted from Generics Bulletin, 10 June 2011, with the exception of Aspen's information which represents reported gross revenue as at 30 June 2011. Figures for peer companies have been quoted for 2010 calendar year (Source – Company reports). Information inserted to the published Generics Bulletin report by Aspen has been reflected in blue text.

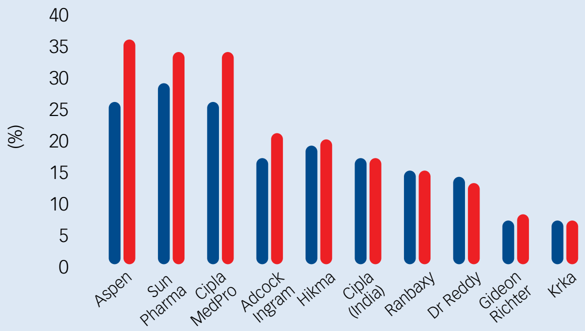
Based upon the Group's results to 30 June 2011 compared to most recent available results for other generic-focused manufacturers worldwide, Aspen is ranked the ninth largest company by revenue.

Peer comparatives



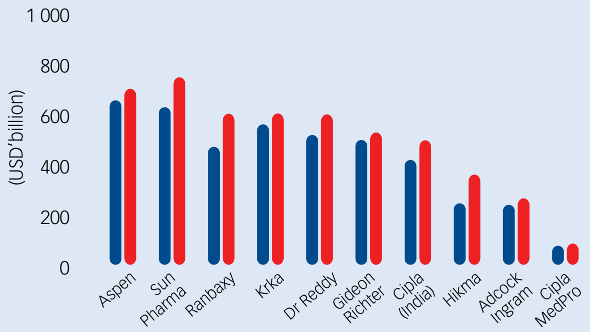
Revenue

■ 2011 ■ 2012



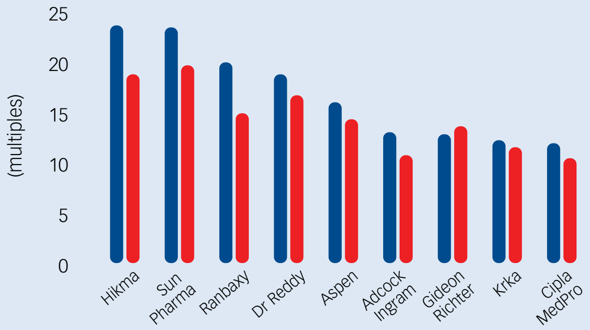
Revenue Compound Annual Growth Rate ("CAGR")

■ CAGR three years ■ CAGR two years



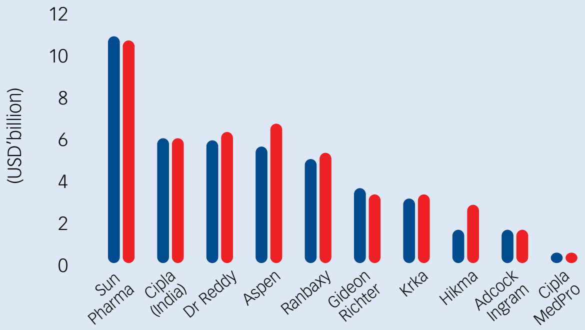
EBITDA*

■ 2011 ■ 2012



Price:earnings

■ 2011 ■ 2012



Market capitalisation and enterprise value as at 9 June 2011

■ Market capitalisation ■ Enterprise value

Source: JP Morgan (9 June 2011) – Bloomberg annualised consensus estimates and CAGRs based thereon for peer companies. Aspen's actual information has been reflected for 2011 and Bloomberg's estimates for Aspen's FY2012 information.

The graphical representations on this page give a sense of Aspen compared to its peer group among generic pharmaceutical manufacturers. In its peer group, Aspen is among the most profitable, but lags Hikma and the Indian generic companies in rating which impacts relative market capitalisation and enterprise value.

** Earnings before interest, tax, depreciation and amortisation.*

Vision

Our vision is to deliver value to all our stakeholders as a responsible corporate citizen that provides quality, affordable medicines globally.

Strategic objectives

Strategic objectives and relevant key performance indicator *(As disclosed in the 2010 Annual Report. Amended and added objectives in 2011 in italics)*	**Performance for the past year**
To maintain our position as the leading provider of pharmaceuticals in South Africa. Relevant key performance indicator ("KPI") • South African private market share	Aspen has retained its leading position in the South African private sector, with 17% (2010: 17%) of the total private market. Aspen has also maintained its leading market share in the generic sector and is in second position in both the branded and OTC segments. In the public sector, Aspen continues to be the leading supplier of medicines to the State, having secured 41% of the ARV tender and 30% of the solid dosage tender.
To be the leading provider of pharmaceuticals in SSA through the Collaboration (2011). *To be the leading provider of pharmaceuticals in SSA (2012).*	The GSK Aspen Healthcare for Africa brand has been successfully launched across SSA. Leadership positions have been established in a number of markets. A significant amount of time has been committed to developing a pipeline of branded generics for the Collaboration. Over the past year 43 product registrations were achieved and 224 new product registrations were submitted for approval. The Collaboration's sales representation across SSA has been increased by 55 heads to a total of 315.
To rapidly grow our market share in Latin America. Relevant KPIs • Brazil market share • Mexico market share • Venezuela market share	Revenue in this region has grown by 19% to reach R0,9 billion in 2011. The focus of the businesses in Latin America has been successfully shifted from the public sector to the private sector. Private market share and market position in Aspen's three primary markets at December 2010 were: Brazil 0,5% 37th Mexico 0,4% 43rd Venezuela 0,3% 49th The product pipeline has not yet matured and only two new product launches took place in the past year in the region.

Values

Integrity - Innovation - Excellence - Commitment - Teamwork

Challenges	Outlook
The expiry of patents on leading branded products Seretide and Truvada has resulted in generic competition. Aspen has launched its own generics for each of these brands to defend market share and has realised particular success in protecting Seretide/Foxair (the generic) share of this therapeutic area. Price increases in the private market are regulated by the Department of Health. There has been no increase in Single Exit Price ("SEP") in 2011. While the Minister of Health has proposed a 0% increase for 2012, this remains open for industry comment until 19 November 2011. At a time when no adjustment has been made for domestic inflation and the Rand has weakened causing an increase in imported costs, it is industry's view that an increase in SEP in 2012 is justified. The South African regulator has tabled draft legislation which will impact Aspen if/when implemented, namely: • international benchmarking; and • capping of the logistics fees. Aspen is actively involved in dialogue with the regulator regarding the proposed legislation through industry representative bodies. It is not possible to gauge the potential impact of the legislation upon Aspen given the stage of the process reached.	Aspen is well positioned to retain its position as the leading provider of pharmaceuticals in South Africa. The following factors will play an important role: • an exceptional pipeline to support organic growth; • world class production capabilities delivering high quality products at globally competitive prices; and • a skilled and committed team of highly capable employees.
The SSA region comprises 700 million people spread across 46 countries. Regulatory, legislation, commercial and cultural circumstances differ from country to country. This fragmentation makes it imperative to have specialised local knowledge. The region is a target for low quality producers taking advantage of regulatory loopholes. The geographical size, under-developed infrastructure and multiple countries make distribution challenging.	The Collaboration has an established and proven sales and distribution capability across the region. The quality standard set by the GSK Aspen Healthcare for Africa brand positions it as a badge of trust in an environment where product efficacy is not always reliable. The Collaboration plans to use these advantages together with a relevant pipeline of branded generics and expanded sales reach to further improve its contribution to providing high quality medicines in SSA.
The refocus of Aspen's business in Latin America towards the private market has required significant restructuring. In certain instances the best commercial resolution has been to dispose of business segments, most notably in Brazil. This will result in short term market share reversals which will be recovered as the benefits of developing a private market portfolio are realised. Owing to the entry of multinational competitors into the market and piqued interest in the acquisition of resident companies, acquisitive opportunities are attracting very high valuations.	Continued focus will be given to increasing Aspen brand awareness in Brazil, Mexico and Venezuela. Aspen's five-year pipeline for the Latin American region has an IMS value of USD5,1 billion at present prices and volumes. Organic growth through launches from the product pipeline should achieve market share growth over time. Acquisitions will accelerate market share growth and create the critical mass necessary to build a greater presence in the region. Acquisitions, however, will only be undertaken where these represent a reasonable value proposition.

Strategic objectives continued

Strategic objectives and relevant key performance indicator *(As disclosed in the 2010 Annual Report. Amended and added objectives in 2011 in italics)*	**Performance for the past year**
To outperform the market in Australia (2011). *To realise synergy and growth opportunities from the acquisition of the Sigma pharmaceutical business in Australia (2012).* Relevant KPI • Australia market share	The Aspen Australian business (pre-Sigma acquisition) increased revenue by 28% to AUD245 million, outstripping the Australian pharmaceutical market where IMS measured growth at 5,8% over the same period. IMS measured growth for the Aspen Australia business at 7,4% which excludes a number of products licensed by Aspen Australia.
To strive for continuous improvement in every business. Relevant KPIs • Growth in revenue from continuing operations • EBITA* margin % • Growth in normalised EBITA* • Growth in normalised, diluted headline earnings per share • Operating cash flow per share • Value added per employee	All of the business segments have achieved growth in revenue and EBITA* over the past year: | | Gross revenue growth | EBITA* growth | South Africa: +13% / +18% Sub-Saharan Africa: +43% / +145% International: +56% / +35% Business models in Latin America have continued to be refined over the past year in order to achieve effective private market focus.
To provide patients with high quality medicines at competitive prices. Relevant KPI • Number of product recalls	The Group's manufacturing sites were inspected by numerous accreditation agencies, representing several countries and also a number of multinational companies. All inspections were successfully concluded with no major findings. Accreditations held by the Aspen manufacturing sites allow for manufacture in virtually every market in the world. Three product recalls took place during the past year. Two recalls were the consequence of failing stability as a result of increased technical requirements. Measures have been taken to remedy this. The third recall was due to inappropriate storage by a third party which has been resolved. The Quality Systems Management Review process was implemented in all of the South African operations. Performance in the ARV tender in South Africa is used as a gauge to determine Aspen's cost competitiveness against international suppliers. In the ARV tender awarded in December 2010, Aspen was awarded 41% of the value of the tender – the largest share of the tender. This award demonstrates cost competitive supply of product as well as reliability and quality of supply. Aspen also has 30% of the value of the South African oral solid dosage tender, the largest share. In the South African and Australian private sectors, Aspen is a leading supplier of scripted medicines. In East Africa, Aspen's subsidiaries Shelys and Beta, are among the leading pharmaceutical manufacturers in Tanzania and Kenya.

	Gross revenue growth	EBITA* growth
South Africa	+13%	+18%
Sub-Saharan Africa	+43%	+145%
International	+56%	+35%

* *EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Challenges	Outlook
Aspen Australia is a substantially smaller business than the newly acquired Sigma pharmaceutical business. Integration of these two businesses has required consideration of all aspects of each business including management structures, employee deployment, quality systems, manufacturing capacities and demands, IT systems, governance structures and logistics. The establishment and implementation of a comprehensive integration plan has been entrusted to the management of Aspen Australia who have taken over leadership of the combined businesses. Progress has been positive and ahead of plan. The Australian regulator implemented legislation aimed at reducing the price of medicines in 2005. This legislative reform was subsequently extended and runs through to 2012. The impact of the reforms was understood and factored into Aspen's assessment of the opportunity presented by the acquisition of the Sigma pharmaceutical business.	The Group has targeted an incremental contribution to operating profit from the acquired business of AUD150 million for the year ending 30 June 2013. This represents an increase of approximately 100% over the operating profit delivered by this business at the time the acquisition was being negotiated. The plan to achieve this target is primarily based upon reductions in cost of goods by switching production to the Aspen network and by taking advantage of improved raw material prices procured through Aspen's supply chain. In addition, synergies from the combination of the businesses will be harnessed and growth opportunities explored. This target takes consideration of the ongoing regulatory initiatives reducing the price of medicines in Australia.
The South African business has to compensate for the genericisation of its two leading branded products, the termination by Pfizer of its infant milk formula licence and a reduction in the value of the ARV tender. Ongoing initiatives to improve cost competitiveness are important to eliminate inflationary pressures in the present circumstances where an increase in the SEP has not been granted. The International business will experience a contraction in the contribution from the second tranche of global brands acquired from GSK as the transition process to the Aspen distribution network is completed and revenue is shared with third party distributors within the Aspen distribution network.	The fundamentals of the South African business remain extremely sound and a strong performance should offset the performance gap created by the once-off set-backs suffered during the 2011 financial year. The SSA region is set for solid growth as the various initiatives underway in this region gather momentum. Improved product costs should compensate for the lost contribution from the second tranche of global brands. The refined business models in Latin America are expected to deliver improved profitability. The Asia Pacific region is expected to be the main growth driver in 2012 as further value is realised from the acquisition and integration of the Sigma pharmaceutical business.
The Group considers the quality of the medicines it produces as its utmost priority. Sophisticated quality systems are in place to provide assurance in this regard. When new facilities are acquired they are subject to an audit, and a programme of remedial action is implemented when necessary. Products acquired may require improvements to stability profiles when these are older products and regulatory requirements have been updated. While there is a continuous campaign to lower the costs of goods, this is never at the sacrifice of quality standards. Principal areas of focus for lowering cost of goods are: • production efficiencies; • sourcing of raw materials at reduced costs; and • economies of scale.	The Group has an unwavering commitment to the production of quality medicines. An ongoing review of product stability takes place. Aspen is benefiting from the significant investment in improved technologies and quality systems in its South African operations in recent years. The Quality Systems Management Review process will be implemented at the international manufacturing sites on a phased basis. Maintenance capital expenditure is ongoing. The network of third party manufacturers used by the Group is regularly audited to provide quality assurance. The scale of the Group's manufacturing volumes puts it in a position to extract the efficiencies offered by high volume manufacture and bulk purchasing of raw materials. This should allow for competitive pricing into the medium term.

Strategic objectives continued

Strategic objectives and relevant key performance indicator *(As disclosed in the 2010 Annual Report. Amended and added objectives in 2011 in italics)*	**Performance for the past year**
To achieve a strategic advantage through our manufacturing capabilities. Relevant KPI • EBITA* margin %	During the past year, a plan has been implemented across the Port Elizabeth and East London manufacturing sites to consolidate the manufacture of homogeneous product types at designated facilities. Projects aimed at improving economies of scale have commenced with the planned transfer of international product volumes to Port Elizabeth. Continuous commitment to manufacturing efficiency projects have realised benefits supporting cost competitiveness. Progress has also been made in efforts to conserve scarce resources and embed environmental management protocols throughout the Group. The Bad Oldesloe site has continued to play an important role in the continuity of supply of the global brands. The strategic benefit of the Group's manufacturing capabilities has been reflected in the maintenance of gross margins despite the general downward pressure on selling prices.
To continuously increase and improve our offering to healthcare professionals and patients through a prolific product pipeline. Relevant KPI • IMS value of total product pipeline	During the past year, the Group launched a total of 90 molecules in 18 countries.
To provide a safe, challenging and rewarding environment for our employees. Relevant KPIs • Number of permanent disabling injuries • BBBEE accreditation • *Average staff turnover* • *Training spend per employee*	Steps have been taken to strengthen health and safety representation in South Africa and to improve health and safety protocols. Health and safety compliance assessments have been initiated in the international businesses. The capital expenditure programme underway at FCC is specifically designed to prevent exposure to high potency products. Interim measures are in place to contain this risk while manufacturing takes place. A phantom share scheme has been introduced to reward performance of senior management of material international businesses. This scheme is equivalent to the share-based deferred bonus scheme applicable to senior South African managers.
To supply high quality medicines to our customers in an efficient and responsible manner. Relevant KPI • Number of product recalls	Aspen was voted as the number 1 pharmaceutical company in South Africa in the Campbell Belman Confidence Predictor survey of retail pharmacists and healthcare insurers. In South Africa, Aspen ranks number 1 in terms of number of script lines dispensed and in Australia, Aspen ranks number 1 in terms of pharmaceutical prescriptions written. These indicators reflect customer satisfaction as well as customer confidence in the Aspen brand.

** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Challenges	Outlook
The product homogenisation programme in South Africa remains to be completed with consolidation of liquid production still to take place. Assessment of the manufacturing sites acquired in Australia through the purchase of the Sigma pharmaceutical business has been completed and a strategic plan for these sites has been developed and will be implemented. The API facility in Cape Town is undergoing a re-capitalisation project to equip it for greater focus on high potency products and for more effective vertical integration into the Group. An assessment of the Brazilian manufacturing site is underway to consider its strategic contribution to the business. The cost-effectiveness of production at the Tanzanian site is being investigated.	The recent investment made in the enhancement of compliance at the manufacturing sites and the unlocking of additional capacity has supported the Group's medium-term supply objectives for South African and international markets. The South African manufacturing centre has evolved to represent an internationally cost-competitive supply base with world class manufacturing capability to supply a diverse range of products to various pharmaceutical jurisdictions globally. The tablet manufacturing capacity at the Port Elizabeth site is currently 8 billion and is planned to reach 14 billion by 2014. The Port Elizabeth site has available land capacity, and future capital expansion is likely to be concentrated at this centre of excellence. There are plans for consolidation of manufacture presently undertaken in Australia across the Australian sites and other Aspen manufacturing sites. Implementation will commence in the next year. A sustainable product offering and a closer alignment to the Group is expected through the capital expenditure taking place at the FCC API facility. Future benefits should be realised through the projects being undertaken in Brazil and Tanzania.
The time taken to obtain product registrations from regulatory authorities can be as long as three years. This adversely impacts the timing of product launches. The quickest registration process is approximately one year, although 18 months is the average in the most efficient territories.	The IMS value of products currently in Aspen's five-year product pipeline is valued at USD8,9 billion with USD3,5 billion expected to be launched by the Group over the next two years and the balance expected to be launched over the three- to five-year horizon. Launch timing is dependent upon the speed of processing of the necessary registrations by the regulatory agencies in each country. The product pipeline covers a wide range of therapeutic categories for each region.
Human resources practices and safety, health and environment ("SHE") standards are not consistent across all Group companies. Recently acquired businesses have established practices and differing standards. In the case of both human resources practices and SHE standards, focus has been placed on developing operating practices and procedures in South Africa to a level which is appropriate for subsequent adoption in the other regions.	Consistent application of human resources practices and SHE standards across the Group is planned. This process will be implemented on a company-by-company basis. It is envisaged that the implementation of consistent human resources practices will take three years and the implementation of consistent SHE standards will take two years. The Aspen business culture continues to challenge all employees with the maxim "To be the best we can be." In addition to a short- and medium-term performance-based incentive programme for qualifying employees, participation and contribution of employees towards delivering on Aspen's vision is a unifying motivation.
Market diversity across approximately 100 countries increases the variability of customer expectations and supply chain complexities. A project to achieve greater automation of the supply chain is in the process of implementation. In total, 119 territories have been transitioned from the GSK distribution network for the global brands acquired from GSK under two separate transactions. A total of 48 territories remain to be transitioned.	Aspen has established a platform of domestic and international distribution networks to serve its customer requirements across its territories both in the developed and emerging pharmaceutical markets. Significant advancement of the supply chain automation project is anticipated over the next year, which will increase supply chain efficiency. The transition of global brands from the GSK distribution to the Aspen distribution network is planned to be materially complete over the next year.

Strategic objectives continued

Strategic objectives and relevant key performance indicator *(As disclosed in the 2010 Annual Report. Amended and added objectives in 2011 in italics)*	**Performance for the past year**
To practise good corporate governance. Relevant KPI • Number of incidents of material non-compliance • Net interest cover	Significant steps have been taken to embed King III principles through a process initiated in 2009. Please refer to page 74 for an explanation of the only areas of partial or non-compliance with King III. All Aspen employees have signed the updated Aspen Code of Conduct which promotes *bona fide* business conduct. The Tip-Offs Anonymous hotline has been rolled out across all regions and employees in these regions have received awareness training sessions. In addition, regional executives complete a fraud checklist on an annual basis, which represents a self-assessment of fraud prevention and detection controls in place.
To achieve superior returns on investment for our shareholders. Relevant KPIs • Return on ordinary shareholders' equity • Return on total assets • Growth in normalised, diluted headline earnings per share • Value added per employee • Operating cash flow per share	For the 13th consecutive year, Aspen has delivered double-digit earnings growth to its shareholders. Aspen's CAGR since listing is near to 50% for revenue, operating profit and headline earnings per share. An investment in Aspen shares has yielded the following annual compound returns over the stated periods: 12 years = 29% 5 years = 20% 3 years = 39%
To achieve our strategic objectives as responsible corporate citizens. Relevant KPIs • Net interest cover • BBBEE accreditation • Training spend per employee • Number of CSI beneficiaries reached • Volume of electricity consumed • Volume of water used • Volume of greenhouse gas emissions • Volume of waste recycled • Number of incidents of non-compliance	Aspen's Corporate Responsible Citizenship Policy was approved by the Board of Directors in 2010. Areas particularly targeted by the Group are: • ethical business practices where an updated Code of Conduct was adopted globally; • increase in spending on primary healthcare support to communities; and • exploration of new initiatives in conservation of scarce resources. In 2011, a Stakeholder Engagement Policy was developed and an approved Environmental Management Policy was rolled out across the Group.
To be alert to opportunities to enhance the value of the Group for its stakeholders (2012). Relevant KPIs • Return on ordinary shareholders' equity • Return on total assets • Growth in normalised, diluted headline earnings per share • Value added per employee • Operating cash flow per share	Not applicable as this is a new objective.

Challenges	Outlook
It is important to retain the entrepreneurial corporate culture of Aspen and the associated agility of decision-making, while meeting enhanced levels of corporate governance. This has been best achieved by embedding principles of good corporate governance in business practices at an operational level wherever practical.	Aspen is committed to good corporate governance. Consultation with experts and engagement with stakeholders will continue to take place where appropriate. The investment in achieving the governance standards prescribed by King III has unquestionably come at an added annual cost which will be ongoing.
Worldwide pricing pressure on medicine prices, ongoing reform of healthcare legislation, currency volatility and market-specific risks could dampen returns.	Strategic initiatives to diversify market risks, currency risks and product risks support sustainable growth prospects, particularly in emerging pharmaceutical markets where Aspen has a high level of focus. The Group's globally competitive production capabilities and economies of scale mitigate pricing pressure. Aspen's global distribution platform has been established and can now be leveraged for the launch of its product pipeline and for innovative distribution partnerships with leading global pharmaceutical partners.
The existence of the Group as a responsible corporate citizen is an ongoing and evolving process. A number of initiatives are in the formative stages of implementation and the benefits of these initiatives will only be realised in future years.	Aspen will continually seek to achieve its strategic objectives in a manner which reflects its commitment as a responsible corporate citizen. In the ensuing year the following particular initiatives will receive attention: • investigation of more targeted social economic development investment in South Africa; • completion of new enterprise development investments in terms of the Department of Trade and Industry's BBBEE Codes of Good Practice ("BBBEE Codes") in South Africa; and • feasibility study into enhanced energy efficiency and renewable energy sources.
The pharmaceutical market is increasingly competitive due to: • the expansion of influence of low cost Asian pharmaceutical businesses into global territories; and • many multinational pharmaceutical companies specialising in new chemical entities have failed to replace patent-expiry molecules with new innovation leading to product lifecycle extensive policies and entry into markets such as branded generics.	The Group will continue to assess acquisitive opportunities to supplement organic growth. Initiatives will be extended to explore the prospects of new markets for Aspen's existing product range, in particular: • global brands; and • infant milk formula. Divestiture of non-core products/businesses will be considered based upon strategic considerations and value propositions.

Group Chief Executive's report

Asia Pacific region set to lead growth

A thirteenth consecutive year of earnings growth

Aspen delivered its 13th consecutive year of earnings growth in 2011. This was underpinned by an increase in revenue from continuing operations of 29% to R12,4 billion and a rise in operating profit from continuing operations of 25% to R3,1 billion. Normalised headline earnings, being headline earnings from continuing operations, adjusted for transaction and restructure costs mainly related to the acquisition of the Sigma pharmaceutical business, were up 29% at R2,4 billion. Diluted normalised headline earnings per share from continuing operations improved 20% to 523,3 cents. Contribution to this performance was well spread across all of the business segments with the addition of the Sigma pharmaceutical business accelerating growth in the second half.

To assist in maintaining focus on the core businesses, certain distinct businesses segments were discontinued and the disposal of some of these was completed before year-end. This resulted in profit after tax from discontinued operations of R434 million. The biggest portion of this came from the sale of the second portion of the Oncology business, which was originated in 2010, realising a profit after tax of R368 million. Diluted earnings per share rose 20% to 572,0 cents.

Furthermore, operating cash flows were excellent, advancing ahead of comparable profits achieved. This has enabled the declaration of a distribution to shareholders which is 50% higher than last year, at 105 cents.

South Africa delivers despite headwinds

The South African business delivered an impressive performance, particularly given the well-documented headwinds in the second half, with operating profit increasing 17% to R1,9 billion. These headwinds were caused by the South African businesses' two biggest brands, Seretide and Truvada, coming under generic competition for the first time, reduced pricing in the new ARV tender which commenced in January 2011 and the loss of the Pfizer infant milk formula licence in the last quarter. ARV volumes under the new tender have also been well below expected levels as Government has used a substitute donor-funded product.

Aspen has been particularly successful in its strategy to defend the Seretide molecule by launching its own generic, Foxair, which has more than compensated for volume declines in Seretide. Despite these challenges, the Pharmaceutical division is fundamentally in good shape with a strong underlying growth rate. In particular, the generic products continue to perform well, fuelled by the industry's strongest organic pipeline. Aspen has outperformed the growth of the generics sector in the private market. The Group once again had the most new product launches by number and value.

The South African Consumer division has been faced with the loss of the Pfizer infant milks which generated annual sales of approximately R250 million. In response, Aspen has expanded its own product offering with the introduction of the Infacare Gold premium range and the Melegi acidified infant formula range. Aspen also competed in the public sector tender for infant nutritionals for the first time and has been awarded the vast majority of the volume of the products for which it competed. This three-year tender which covers eight of South Africa's nine provinces, as well as the inroads made by Infacare Gold, should assist in significantly closing the gap left by the Pfizer brands.

Achieving growth, in the first half of the new year will be particularly challenging for the South African business, given that it will be faced with the headwinds mentioned above which only arose in the second half of the past year and, in addition, most of July's production was lost to a strike. Performance will improve as the year progresses as new product launches continue to add momentum, the infant nutritional tender commences and volumes return to the ARV tender as donor funding is exhausted. Changes in legislation proposed by Government to favour local manufacturers and to achieve greater alignment to BBBEE credentials should stand the Group in good stead for future state tenders.

Integration plans well progressed in Australia

The Asia Pacific region is set to be the leading growth driver for the Group in the year ahead. Revenue, which was AUD444 million in 2011, should exceed AUD700 million based upon full-year ownership of the Sigma pharmaceutical business, the organic growth achieved from the consolidated Australian business and advances in South East Asia.

The detailed integration plan to incorporate the Sigma pharmaceutical business into Aspen Australia is well progressed and tracking ahead of initial expectations. Integration has been completed for the sales function and for regulatory affairs with the enlarged teams working seamlessly in both of these areas. The process is nearing completion in respect of information systems, distribution, quality, procurement and administration.

"It is anticipated that in 2012 businesses outside South Africa will contribute the greater portion of the Group's profit for the first time. The Asia Pacific region, bolstered by the recently completed acquisition of the Sigma pharmaceutical business, is expected to be the leading growth driver."

Stephen Saad
Group Chief Executive

Group Chief Executive's report continued

A detailed assessment has been undertaken in respect of the manufacturing sites. The Tennyson site in Brisbane has been sold. An announcement has been made to close the facilities at Croydon and Noble Park, with this process commencing in 2012. The Dandenong site in Melbourne will be the manufacturing centre for Australia with the Baulkham Hills site in Sydney providing production flexibility and packaging capabilities. In terms of the manufacturing plan, selected high-volume products will be transferred to Aspen's Port Elizabeth manufacturing site and other products will be sourced from the Group manufacturing network. It is anticipated that considerable savings in cost of goods will be achieved for the Australian business over the next few years as the benefits of the Group's procurement and manufacturing efficiencies are realised. Delivering an incremental contribution to operating profit of AUD150 million from the Sigma pharmaceutical business for the year ending 30 June 2013 was the initial goal set. Based on achievements to date, this target could be achieved at an earlier date.

Extending the Asia Pacific footprint

The management team in Australia is doing an outstanding job in leading the integration process. They have also been working on expanding the Group's presence in South East Asia. A subsidiary has been established in the Philippines, a Chief Executive Officer has been appointed and the task of recruiting a sales team is underway. It is planned to have between 80 and 100 sales representatives promoting Aspen products in this country before the end of the financial year.

Brazil model refined

Aspen continues to regard Latin America as a territory with enormous potential for future growth. Sales of R0,9 billion for 2011 were up 19%. During the year, much was achieved in refining the business model in Brazil. The objective of focusing the business on the private sector had been substantially fulfilled by the end of the year. The Brazilian business only conducted public sector trade when it was acquired in 2008. Following a series of interventions and a determined strategy to redirect the business, it now generates 80% of sales from the private sector. In pursuit of this objective, the penicillin and penem manufacturing site at Campos has been sold together with related products which were concentrated in the institutional sector. A new Chief Executive Officer has been appointed who has displayed strong leadership in making the changes necessary. Emphasis in Brazil is on brand building and bringing through the organic pipeline while remaining alert to opportunities to build critical mass by acquiring suitable products.

Strategic leadership, supply chain and regulatory affairs have been consolidated for the Spanish Latin American countries, centred in Mexico. This will lead to improved synergy and better co-ordination across these geographies. Both the Mexican and Venezuelan companies performed well although a devaluation of the Venezuelan currency diluted its contribution.

Product pipeline is a valuable asset

The Group has enjoyed the benefits of a strong pipeline of new products to support organic growth for many years. As Aspen has increased its global footprint, so efforts have been intensified to enlarge the range of the pipeline and to source products with particular relevance to new territories in which the Group is trading. Considerable success has been attained in building the product pipeline to the extent that the IMS value of the originator molecules representing products which Aspen hopes to launch in the next five years amounts to USD8,9 billion. The value in Aspen's hands will be diluted by prices discounted from the originator molecule as well as in-market competition. Nonetheless, this is an extremely valuable asset and a critical aspect of the Group's sustainability. The first products from the pipeline for the international territories were launched in the past year with particular success being achieved with insulin products in Brazil. The flow of product launches is expected to increase steadily over the next few years.

Investment in manufacturing pays dividends

The Group has invested significantly in its manufacturing technologies and capacities since 2003. This has allowed Aspen to remain a globally competitive manufacturer of high quality pharmaceuticals in the face of fierce opposition, particularly from the Asian producers. It has also provided Aspen with the production platform which will allow it to realise meaningful reductions in cost of goods of more recently acquired products such as the global brands purchased from GSK and certain of the Sigma pharmaceutical business product range. In the year ahead, the first of the technology transfers to allow commercial production of Zyloric, one of the global brands, will be completed. Together with the efficient procurement of APIs which comes with the Group's positioning as a major generics manufacturer in global terms, this is expected to yield incremental cost of goods savings in these products for the next four to five years, which will support improvements in gross profit percentages in the Asia Pacific and other international territories.

Enhancing the supply chain

The largest portion of the global brands has transitioned from GSK distribution to the Aspen global distribution network which comprises Aspen's subsidiary companies and contracted third party distributors. By the end of the 2012 financial year this process is anticipated to be materially complete. During the transition process the Group has not only built the global distribution network, but also the supply chain that runs in alignment with this. The supply chain has delivered excellent service levels, and is being enhanced by a number of simultaneous projects aimed at increasing efficiencies and harnessing information technology.

A formidable team

The Board has provided a strong compass to the continuing growth of Aspen. Leadership has been strengthened across the Group over the last year and should ensure that each business optimises its opportunities. Development and succession policies have also strengthened the depth of management. Aspen is in the enviable position of having a truly outstanding team working towards delivering on the Group's vision. Shareholders and all other stakeholders can be grateful for the high levels of commitment shown by all of these people.

Prospects are positive

Real growth is anticipated to be sustained in the year ahead with the Asia Pacific region, fuelled by the acquisition of the Sigma pharmaceutical business, being the leading driver. It is anticipated that revenue and profit contributions from the Group's businesses outside South Africa will exceed that of the South African business for the first time.

Demographics in South Africa continue to support growth in the utilisation of medicines which could be further accelerated by the introduction of the National Health Insurance programme planned by Government. Aspen's Pharmaceutical business in South Africa remains fundamentally strong, and has retained its leadership position in the private and public sectors. The outlook for the Pharmaceutical business is favourable although in the year ahead performance will be muted by the genericisation of its two leading brands as well as the lower pricing and offtake in the ARV tender mentioned earlier.

The South African Department of Health is presently considering the promulgation of new regulations to implement a process of international benchmarking of originator pharmaceutical products and to cap the logistics fees paid in the distribution of pharmaceuticals. Aspen has been an active participant in the formulation of industry submissions on these proposals. Both proposals are with the Department of Health for reconsideration. Revised proposals can be anticipated in the year ahead.

The South African Consumer business has been reshaped to focus on medicated products and infant nutritionals. The loss of the Pfizer licence for infant milks will create some pressure in the first half of the next year, but it is expected that this will be largely overcome by the additional infant nutritional products launched by Aspen as well as the three-year government tender secured for these products.

The SSA business is well placed to extend its position as the leading supplier of quality pharmaceuticals in that region with a raft of product registrations anticipated in the next year.

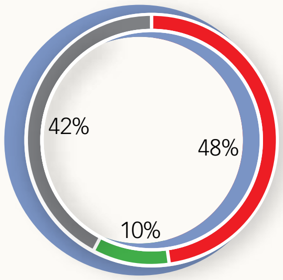
The Asia Pacific region is set for impressive growth in the forthcoming year, as the acquired Sigma pharmaceutical business contributes for a full year and the profitability of this business is improved. The integration of the Sigma pharmaceutical business has proceeded well and the combined businesses are an influential participant in this market. The Group's pipeline for Australia has been further augmented by the conclusion of an agreement with Cipla, the leading Indian generic company, to work together for Aspen to launch Cipla-developed products in Australia. The plan to expand the Group's representation in the region has taken a further step forward with the commencement of the process to incorporate a subsidiary in the Philippines.

Structures have been improved in Latin America. Increased focus has been achieved in Brazil with the disposal of non-core products. Aspen continues to regard this region as having significant potential. Opportunities are being sought to improve the critical mass of the product offering in this region.

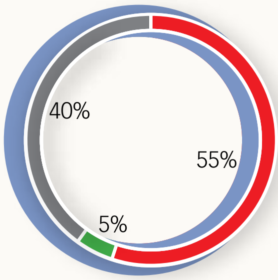
Stephen Saad
Group Chief Executive
21 October 2011

Segmental performance

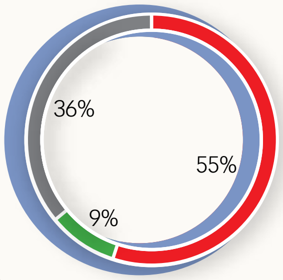
Gross revenue by segment
2011: R13,2 billion



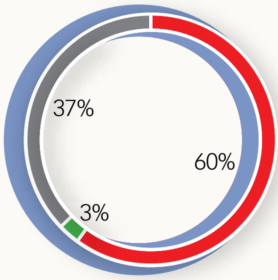
EBITA* by segment
2011: R3,5 billion



Gross revenue by segment
2010: R10,1 billion



EBITA* by segment
2010: R2,7 billion



- South Africa
- SSA
- International

Compound annual growth rate since listing

	Since listing	Last 5 years	Last 3 years
Gross revenue	+49%	+31%	+41%
*EBITA**	+53%	+28%	+40%
Normalised diluted headline earnings per share from continuing operations	+45%	+24%	+33%

** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Financial highlights

	30 June 2011	30 June 2010 R'million	Change %	CAGR[#] %
FINANCIAL PERFORMANCE HIGHLIGHTS	**R'million**			
Revenue from continuing operations	**12 383,2**	9 619,2	29	26
Gross profit	**5 613,5**	4 476,5	25	25
EBITA*	**3 488,6**	2 734,6	28	27
Normalised headline earnings from continuing operations	**2 356,5**	1 831,9	29	30
Cash generated from operating activities	**2 445,9**	2 033,0	20	30
FINANCIAL PERFORMANCE INDICATORS	**%**	%		
EBITA* margin	**26,4**	27,1		
Return on total assets	**17,3**	19,7		
Gearing ratio	**33,7**	24,0		
Return on ordinary shareholders' equity	**18,4**	23,1		
Working capital as a % of turnover (annualised)	**22,5**	25,3		
Net interest cover (times)	**8,5**	7,5		
PERFORMANCE PER SHARE	**cents**	cents		
Earnings per share from continuing operations – basic	**495,2**	425,4	16	26
Normalised headline earnings per share from continuing operations	**544,3**	455,7	19	27
Normalised diluted headline earnings per share from continuing operations	**523,3**	437,7	20	27
Operating cash flow per share from continuing operations	**554,8**	471,2	18	27
SHARE PERFORMANCE INDICATORS				
Price:earnings ratio (times)	**15,4**	16,7	(8)	
Closing share price (cents)	**8 400**	7 610	10	
Market capitalisation (R'billion)	**36,5**	32,8	11	

CAGR represents nine-year annual growth, calculated for the period 2002 to 2011 covered in the 10-year review.
* *EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Ten-year review

GROUP INCOME STATEMENTS	CAGR since 2002 %	IFRS Year ended 30 June 2011 R'million	IFRS Year ended 30 June 2010 R'million
Continuing operations			
Revenue	26	**12 383,2**	9 619,2
Gross profit	25	**5 613,5**	4 476,5
EBITA*	27	**3 488,6**	2 734,6
Total amortisation and non-trading adjustments	29	**(339,6)**	(210,2)
Operating profit	27	**3 149,0**	2 524,4
Net financing costs	27	**(412,1)**	(365,3)
Profit before tax	26	**2 736,9**	2 157,4
Profit after tax	29	**2 154,8**	1 698,9
GROUP STATEMENTS OF FINANCIAL POSITION			
Assets			
Non-current assets			
Property, plant and equipment		**3 651,5**	3 012,4
Goodwill		**4 626,6**	456,1
Intangible assets		**8 916,7**	8 609,9
Preference share investment		**–**	–
Other non-current assets		**11,8**	34,4
Deferred tax assets		**216,5**	65,5
Total non-current assets		**17 423,1**	12 178,3
Current assets			
Inventories		**2 628,1**	2 041,4
Trade and other receivables		**3 263,8**	2 359,5
Cash restricted for use		**28,7**	21,8
Cash and cash equivalents		**3 039,2**	2 939,8
Total operating current assets		**8 959,8**	7 362,5
Assets classified as held-for-sale		**414,5**	260,1
Total current assets		**9 374,3**	7 622,6
Total assets		**26 797,4**	19 800,9
Equity and liabilities			
Ordinary shareholders' equity		**13 064,2**	10 669,0
Equity component of preference shares		**162,0**	162,0
Non-controlling interests		**61,1**	55,2
Total shareholders' equity		**13 287,3**	10 886,2
Non-current liabilities			
Preference shares – liability component		**381,3**	386,6
Borrowings		**4 249,0**	2 260,2
Other non-current financial liabilities		**167,0**	174,8
Deferred tax liabilities		**504,9**	263,2
Total non-current liabilities		**5 302,2**	3 084,8
Current liabilities			
Trade and other payables		**2 830,8**	1 913,9
Borrowings		**5 138,0**	3 720,8
Other current financial liabilities		**208,2**	195,2
Total operating current liabilities		**8 177,0**	5 829,9
Liabilities associated with assets held-for-sale		**30,9**	–
Total current liabilities		**8 207,9**	5 829,9
Total equity and liabilities		**26 797,4**	19 800,9

Comparative figures have been restated to conform with changes in presentation.
(1) Excludes once-off cost of the BBBEE transaction amounting to R282,4 million.
(2) Includes R8,1 million amortisation of goodwill.
(3) Includes R13,8 million amortisation of goodwill.
** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141 and the Segmental Analysis disclosed in the relevant years.*

Segmental performance and financial highlights
Ten-year review
Ethics statement
Financial review
Business unit reviews
Risk management
Directorate
Corporate governance
Responsible corporate citizenship
Stakeholder engagement
Sustainability report

IFRS Year ended 30 June 2009 R'million	IFRS Year ended 30 June 2008 R'million	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million	IFRS Year ended 30 June 2005 R'million	SA GAAP Year ended 30 June 2004 R'million	SA GAAP Year ended 30 June 2003 R'million	SA GAAP Year ended 30 June 2002 R'million
8 441,4	4 682,5	4 025,9	3 449,3	2 814,6	2 201,7	1 890,2	1 561,2
3 877,3	2 171,3	1 941,7	1 660,3	1 390,6	1 058,1	860,8	736,3
2 294,5	1 260,0	1 194,3	1 009,8	837,4[1]	631,8	501,3	413,7
(124,2)	(63,7)	(117,7)	(115,1)	(99,2)	(78,0)[2]	(54,1)[3]	(34,3)[4]
2 174,7	1 196,3	1 076,6	894,7	738,2	553,8	447,2	379,4
(475,0)	(17,3)	(67,2)	(40,8)	(61,9)	(25,3)	(56,9)	(48,2)
1 696,4	1 177,9	1 009,4	853,9	676,4	528,5	390,3	331,2
1 337,5	844,8	717,7	637,5	468,8	355,6	274,8	221,8

2 261,1[7]	1 623,0[5]	855,1	613,1	481,7	312,8	180,1	145,6
398,4	603,0	295,0	270,4	195,6	86,2	67,5	50,0
4 103,6	3 631,8[5]	844,7	803,4	665,8	441,9	437,0	239,9
–	–	376,8	376,8	376,8	–	–	–
27,6	30,5	6,0	11,9	0,1	124,5	19,4	5,0
17,9	1,0	15,1	34,4	57,6	7,5	149,7	185,7
6 808,6	5 889,3	2 392,7	2 110,0	1 777,6	972,9	853,7	626,2
1 434,5[7]	1 369,1[5]	936,8	798,3	428,2	245,6	213,5	287,0
2 040,2[7]	1 789,1[5]	871,2	727,2	512,7	425,6	414,1	341,0
–	–	–	–	–	–	–	–
2 065,0[7]	1 521,2[5]	3 331,2	625,2	439,6	465,5	200,4	184,1
5 539,7	4 679,4	5 139,2	2 150,7	1 380,5	1 136,7	828,0	812,1
–	–	–	–	–	–	–	–
5 539,7	4 679,4	5 139,2	2 150,7	1 380,5	1 136,7	828,0	812,1
12 348,3	10 568,7	7 531,9	4 260,7	3 158,1	2 109,6	1 681,7	1 438,3
3 867,4[7]	2 908,7[5]	2 220,4	1 551,0	954,3	1 066,5	787,6	599,4
162,0	162,0	162,0	162,0	162,0	–	–	–
75,9	61,1	7,0	6,7	–	–	7,4	17,1
4 105,3	3 131,8	2 389,4	1 719,7	1 116,3	1 066,5	795,0	616,5
392,2	402,1	403,5	403,3	406,6	–	–	–
3 433,8	75,9	25,9	49,0	62,7	156,2	144,7	54,0
9,4	11,9	17,8	35,9	37,4	50,5	92,4	103,3
200,4[7]	133,0[5]	65,3	99,1	71,6	61,6	42,3	29,1
4 035,8	622,9	512,5	587,3	578,3	268,3	279,4	186,4
1 287,5[7]	995,7[5]	648,1	712,7	571,9	353,4	338,6	383,8
2 670,3	5 695,3[5],[6]	3 801,8	1 173,8	761,7	290,0	151,5	160,9
249,4	123,0	180,1	67,2	129,9	131,4	117,2	90,7
4 207,2	6 814,0	4 630,0	1 953,7	1 463,5	774,8	607,3	635,4
–	–	–	–	–	–	–	–
4 207,2	6 814,0	4 630,0	1 953,7	1 463,5	774,8	607,3	635,4
12 348,3	10 568,7	7 531,9	4 260,7	3 158,1	2 109,6	1 681,7	1 438,3

(4) Includes R8,4 million amortisation of goodwill.
(5) The 2008 statement of financial position excludes the Astrix Laboratories Ltd balances as this is regarded as a discontinued operation.
(6) This amount includes the financial liability at amortised cost of R2,7 billion.
(7) The 2009 statement of financial position excludes the Oncology business balances as this is regarded as a discontinued operation.

Ten-year review continued

GROUP STATEMENTS OF CASH FLOWS		CAGR since 2002 %	IFRS Year ended 30 June 2011 R'million	IFRS Year ended 30 June 2010 R'million
Cash operating profit		28	**3 845,0**	3 269,5
Working capital movements			**(463,2)**	(344,4)
Cash generated from operations		30	**3 381,8**	2 925,1
Net financing costs paid			**(401,3)**	(427,1)
Tax paid			**(534,6)**	(465,0)
Cash generated from operating activities		30	**2 445,9**	2 033,0
Cash used in investing activities			**(5 645,5)**	(1 020,7)
Cash generated from/(used in) financing activities			**3 247,0**	(498,7)
Translation effects on cash and cash equivalents of foreign operations			**(107,3)**	(23,8)
Movement in cash and cash equivalents			**(59,9)**	489,8
Cash and cash equivalents at the beginning of the year			**1 812,7**	1 322,9
Cash and cash equivalents at the end of the year			**1 752,8**	1 812,7
SHARE PERFORMANCE				
Earnings per share – basic	cents		**595,5**	494,9
From continuing operations	cents	26	**495,2**	425,4
From discontinued operations	cents		**100,3**	69,5
Earnings per share – diluted	cents		**572,0**	474,7
From continuing operations	cents	26	**476,5**	409,1
From discontinued operations	cents		**95,5**	65,6
Headline earnings per share	cents		**520,3**	482,9
From continuing operations	cents	26	**510,9**	451,8
From discontinued operations	cents		**9,4**	31,1
Headline earnings per share – diluted	cents		**500,3**	463,4
From continuing operations	cents	26	**491,4**	434,1
From discontinued operations	cents		**8,9**	29,3
Normalised headline earnings per share	cents		**554,5**	486,8
From continuing operations	cents	27	**544,3**	455,7
From discontinued operations	cents		**10,2**	31,1
Normalised headline earnings per share – diluted	cents		**533,0**	467,0
From continuing operations	cents	27	**523,3**	437,7
From discontinued operations	cents		**9,7**	29,3
Capital distribution/dividend per share[8]	cents		**70,0**	–
Net asset value per share	cents	38	**3 011,0**	2 473,1
Operating cash flow per share	cents		**565,0**	505,7
From continuing operations	cents	27	**554,8**	471,2
From discontinued operations	cents		**10,2**	34,5
SHARE INFORMATION				
Number of shares in issue – at the end of the year	million		**434,3**	431,6
Number of shares in issue (net of treasury shares) – at the end of the year	million		**433,9**	431,4
Weighted number of shares in issue	million		**432,9**	402,0
Market capitalisation at year-end	R'million	33	**36 480,8**	32 845,6

Comparative figures have been restated to conform with changes in presentation.

(1) Excludes once-off cost of the BBBEE transaction amounting to R282,4 million.

(8) The capital distribution paid in 2011 relates to profits earned in the 2010 financial year. The distributions for the years 2002 to 2010 relate to dividends declared after the preceding year-end.

IFRS Year ended 30 June 2009 R'million	IFRS Year ended 30 June 2008 R'million	IFRS Year ended 30 June 2007 R'million	IFRS Year ended 30 June 2006 R'million	IFRS Year ended 30 June 2005 R'million	SA GAAP Year ended 30 June 2004 R'million	SA GAAP Year ended 30 June 2003 R'million	SA GAAP Year ended 30 June 2002 R'million
2 668,3	1 494,0	1 322,0	1 127,5	929,3	670,5	508,6	424,1
(507,7)	(435,9)	(353,0)	(487,5)	(52,9)	(44,2)	(11,6)	(94,4)
2 160,6	1 058,1	969,0	640,0	876,4	626,3	497,0	329,7
(535,1)	(84,1)	(54,0)	(55,8)	(47,0)	(25,3)	(56,9)	(48,2)
(333,4)	(321,6)	(206,4)	(182,2)	(176,6)	(102,3)	(54,1)	(50,7)
1 292,1	652,4	708,6	402,0	652,8	498,7	386,0	230,8
(3 556,7)	(1 456,3)	(431,6)	(442,0)	(799,8)	(282,6)	(351,3)	(40,6)
3 129,0	1 210,7	(50,8)	(152,1)	115,6	54,3	20,9	(193,9)
(486,4)	40,6	9,0	14,8	5,5	(5,2)	(39,4)	52,6
378,0	447,4	235,2	(177,3)	(25,9)	265,2	16,2	48,9
944,9	497,5	262,3	439,6	465,5	200,3	184,1	135,2
1 322,9	944,9	497,5	262,3	439,6	465,5	200,3	184,1
374,6	245,3	205,6	185,3	137,6	99,8	76,6	62,5
370,1	239,7	205,6	185,3	137,6[1]	99,8	77,0	61,5
4,5	5,6	–	–	–	–	(0,4)	1,0
362,9	240,1	201,8	179,2	133,9	97,2	74,8	60,6
358,7	234,8	201,8	179,2	133,9[1]	97,2	75,2	59,6
4,2	5,3	–	–	–	–	(0,4)	1,0
389,4	231,3	210,1	185,4	138,3	103,7	79,1	62,7
378,1	225,7	210,1	185,4	138,3[1]	103,7	79,1	63,1
11,3	5,6	–	–	–	–	–	(0,4)
376,7	227,0	206,1	179,3	134,3	101,0	77,1	60,8
366,1	221,7	206,1	179,3	134,3[1]	101,0	77,1	61,2
10,6	5,3	–	–	–	–	–	(0,4)
389,4	231,3	210,1	185,4	138,3	103,7	79,1	62,7
378,1	225,7	210,1	185,4	138,3	103,7	79,1	63,1
11,3	5,6	–	–	–	–	–	(0,4)
376,7	227,0	206,1	179,3	134,3	101,0	77,1	60,8
366,1	221,7	206,1	179,3	134,3	101,0	77,1	61,2
10,6	5,3	–	–	–	–	–	(0,4)
–	70,0	62,0	48,0	30,0	20,0	11,0	8,0
1 072,3	825,4	633,3	446,4	281,1	297,7	222,1	170,5
361,1	185,5	203,1	116,8	191,7	140,0	109,3	65,9
363,4	187,7	203,1	116,8	191,7	140,0	109,7	64,9
(2,3)	(2,2)	–	–	–	–	(0,4)	1,0
361,3	391,3	389,6	386,4	378,4	377,0	373,5	370,3
360,7	352,4	350,6	347,4	339,4	358,2	354,6	351,5
357,9	351,8	348,9	344,1	340,6	356,2	353,1	350,4
19 783,7	12 444,7	14 413,9	14 102,9	9 005,3	4 788,1	2 894,3	2 759,0

Ten-year review continued

JSE STATISTICS		IFRS Year ended 30 June 2011	IFRS Year ended 30 June 2010
Number of shares traded	million	**249,0**	328,1
Number of shares traded as % of weighted average number of shares	%	**57,5**	81,6
Market price per share			
year-end	cents	**8 400**	7 610
highest	cents	**9 785**	8 505
lowest	cents	**7 330**	5 375
KEY MARKET PERFORMANCE RATIOS			
Earnings yield	%	**6,5**	6,0
Price:earnings ratio	times	**15,4**	16,7
BUSINESS PERFORMANCE			
Profitability			
Measures financial performance of the Group			
Return on ordinary shareholders' equity	%	**18,4**	23,1
Return on total assets	%	**17,3**	19,7
Return on net assets	%	**22,6**	28,8
Revenue growth from continuing operations	%	**28,7**	14,0
Gross margin	%	**45,3**	46,5
EBITA* margin	%	**26,4**	27,1
South African EBITA* margin	%	**30,7**	29,4
Sub-Saharan Africa EBITA* margin	%	**13,6**	7,9
International EBITA* margin	%	**24,5**	28,4
Effective tax rate	%	**21,3**	21,3
Liquidity			
Measures the Group's ability to meet its maturing obligations and unexpected cash needs in the short term			
Current ratio	times	**1,1**	1,3
Quick ratio	times	**0,8**	0,9
Cash ratio	times	**0,4**	0,6
Working capital as % of revenue	%	**22,5**(9)	25,3
Debt indicators			
Measures the Group's ability to meet capital and interest payments over the long term			
Total debt	R'million	**6 729,1**	3 427,8
Net borrowings	R'million	**6 347,8**	3 041,2
Total debt to EBITA* cover	times	**1,9**	1,3
Net interest cover	times	**8,5**	7,5
Gearing ratio	%	**33,7**	24,0

Comparative figures have been restated to conform with changes in presentation.
(1) Excludes once-off costs of the BBBEE transaction amounting to R282,4 million.
(9) The Sigma pharmaceutical business revenue has been annualised in calculating this ratio.
** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

IFRS Year ended 30 June 2009	IFRS Year ended 30 June 2008	IFRS Year ended 30 June 2007	IFRS Year ended 30 June 2006	IFRS Year ended 30 June 2005	SA GAAP Year ended 30 June 2004	SA GAAP Year ended 30 June 2003	SA GAAP Year ended 30 June 2002
335,5	271,0	359,2	268,8	103,4	82,7	128,9	132,1
93,8	77,0	103,0	78,1	30,3	23,2	36,5	37,7
5 475	3 180	3 700	3 650	2 380	1 270	775	745
5 748	3 239	4 016	4 450	2 500	1 410	800	790
2 720	2 915	3 055	2 365	1 270	775	640	565
6,9	7,1	5,7	5,1	5,8[1]	8,2	10,2	8,5
14,5	14,1	17,6	19,7	17,2	12,2	9,8	11,8
39,1	32,9	38,0	50,9	46,4	38,4	39,2	46,1
23,7	19,0	30,5	31,8	38,4	40,4	36,6	36,1
46,9	42,7	49,1	60,2	62,0	56,8	55,3	68,8
80,3	16,3	16,7	22,6	27,8	16,5	21,1	41,4
45,9	46,4	48,2	48,1	49,4	48,1	45,5	47,2
27,2	26,9	29,7	29,3	29,8	28,7	26,5	26,5
25,6	29,7	32,5	32,5	32,9	31,9	31,3	31,0
19,2	12,7	26,8	16,7	2,9	(26,3)	(6,1)	14,6
31,7	20,9	19,1	17,5	17,2	17,8	10,9	9,4
21,2	28,3	28,9	25,3	30,7	32,7	29,6	33,0
1,3	1,1	1,1	1,1	0,9	1,5	1,4	1,3
1,0	0,8	0,9	0,7	0,7	1,2	1,0	0,8
0,6	0,2	1,9	0,4	0,3	0,6	0,3	0,3
25,8	36,8	28,8	23,4	13,0	14,4	15,3	15,6
4 431,9	2 011,0	967,6	1 032,2	866,8	75,6	243,1	185,4
4 039,1	1 597,2	496,5	597,6	384,7	(19,3)	95,8	30,8
1,9	1,6	0,8	1,0	1,0	0,1	0,5	0,4
5,9	14,0	18,8	21,6	21,0	65,1	18,2	9,3
52,4	39,6	28,9	37,6	43,7	6,6	23,6	23,6

Definitions and formulas

Net asset value per share (cents)
$$\frac{\text{Ordinary shareholders' equity}}{\text{Number of shares in issue (net of treasury shares)}}$$

Operating cash flow per share (cents)
$$\frac{\text{Cash generated from operating activities}}{\text{Weighted number of shares in issue}}$$

Market capitalisation
Year-end market price per share multiplied by number of shares in issue at year-end

Earnings yield (%)
$$\frac{\text{Normalised headline earnings per share from continuing operations}}{\text{Market price per share at year-end}}$$

Price:earnings ratio
$$\frac{\text{Market price per share at year-end}}{\text{Normalised headline earnings per share from continuing operations}}$$

Return on ordinary shareholders' equity (%)
$$\frac{\text{Profit attributable to equity holders of the parent from continuing operations}}{\text{Weighted average ordinary shareholders' equity}}$$

Return on total assets (%)
$$\frac{\text{EBITA*}}{\text{Total weighted average assets (excluding cash and cash equivalents)}}$$

Return on net assets (%)
$$\frac{\text{Profit before tax from continuing operations}}{\text{Total average assets – total average liabilities}}$$

Revenue growth from continuing operations (%)
$$\frac{\text{Revenue from continuing operations (current year) – revenue from continuing operations (prior year)}}{\text{Revenue from continuing operations (prior year)}}$$

Gross margin (%)
$$\frac{\text{Gross profit from continuing operations}}{\text{Revenue from continuing operations}}$$

EBITA* margin (%)
$$\frac{\text{EBITA*}}{\text{Gross revenue from continuing operations}}$$

South African EBITA* margin (%)
$$\frac{\text{EBITA* for South Africa}}{\text{Revenue for South Africa from continuing operations}}$$

SSA EBITA* margin (%)
$$\frac{\text{EBITA* for SSA}}{\text{Gross revenue for SSA from continuing operations}}$$

International EBITA* margin (%)
$$\frac{\text{EBITA* for International}}{\text{Revenue for International from continuing operations}}$$

Effective tax rate (%)
$$\frac{\text{Tax from continuing operations}}{\text{Profit before tax from continuing operations}}$$

Current ratio
$$\frac{\text{Current assets (excluding assets classified as held-for-sale)}}{\text{Current liabilities (excluding liabilities associated with assets held-for-sale)}}$$

Quick ratio
$$\frac{\text{Current assets (excluding assets classified as held-for-sale) – inventories}}{\text{Current liabilities (excluding liabilities associated with assets held-for-sale)}}$$

Cash ratio
$$\frac{\text{Cash and cash equivalents}}{\text{Current liabilities (excluding liabilities associated with assets held-for-sale) – bank overdrafts}}$$

Working capital as % of revenue
$$\frac{\text{Inventories + trade and other receivables – trade and other payables}}{\text{Annualised net revenue from continuing operations}}$$

Total debt
Non-current borrowings + current borrowings + deferred payables + preference shares (liability component) – cash and cash equivalents

Net borrowings
Non-current borrowings + current borrowings – cash and cash equivalents

Total debt to EBITA* cover (times)
$$\frac{\text{Total debt (net of cash)}}{\text{EBITA*}}$$

Net interest cover (times)
$$\frac{\text{EBITA*}}{\text{Interest paid from continuing operations – interest received from continuing operations}}$$

Gearing ratio (%)
$$\frac{\text{Total debt (net of cash)}}{\text{Total shareholders' equity – non-controlling interests + total debt (net of cash)}}$$

Normalised headline earnings
Headline earnings adjusted for transaction costs relating to acquisitions and restructuring costs

** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Ethics statement

ETHICS MANAGEMENT AND FRAUD PREVENTION

Aspen has a zero tolerance approach to unethical behaviour and is committed to ensuring that the Group and its employees uphold Aspen's laudable reputation. The Group Code of Conduct governs the conduct of all Aspen's employees throughout the Group. Furthermore, Aspen's service providers and suppliers are required to adhere to the Group's Code of Conduct in accordance with relevant clauses included in the legal agreement templates.

The areas covered by the Group Code of Conduct include:

- acting in accordance with Aspen's values;
- equitable treatment for all;
- acting as ambassadors of Aspen;
- business integrity;
- gifts, entertainment and bribery;
- integrity of qualitative and quantitative information;
- protection and use of property;
- business controls;
- confidential information;
- insider trading;
- safety, health, quality and the environment;
- competition law;
- political activities;
- compliance;
- accountability; and
- corporate governance.

Whistle-blowing

An independently monitored whistle-blowing hotline, Deloitte's Tip-Offs Anonymous®, has been rolled out to employees across the Group's businesses, whereby employees can report suspected fraud and/or activities which are considered to be transgressions to the Group's Code of Conduct. Tip-offs training and awareness sessions are conducted periodically to promote utilisation of the facility where necessary. The Tip-offs service has also been extended to key customers and suppliers in the South African business. Roll-out of the service to selected suppliers and customers at Aspen's International businesses is at various stages of progress in accordance with an implementation plan.

Tip-offs statistics	2011	2010
Number of tip-off logs received by Deloitte	27	65
Number of clutter calls	21	57
Number of valid tip-off logs	6	1
Number of tip-off logs investigated	6	1

All logged calls were received from the South African region and were reported to relevant managers timeously. Corrective action has been implemented in all instances to improve controls, to prevent recurrence of the incident and, in one instance, resulted in the termination of the employee's contract.

Fraud prevention

Management is required to complete a fraud checklist twice a year and to sign a declaration on an annual basis stating that all management information is completed truthfully and accurately and that no incidents of fraudulent activity were identified by management for the reported period. This promotes fraud awareness and the review of fraud prevention controls among management teams across the businesses. Aspen has developed a formalised fraud prevention strategy which is planned for formal implementation during 2012.

Financial review

Cash flows outstrip profits

Taking consideration of one-off items

In assessing the performance of the Group, consideration needs to be taken of a number of items which were one-off or specific in nature and which are not expected to be recurring in arriving at an underlying or normalised result. The more material of these items, net of tax, are as follows:

- profit on sale of the Oncology business of R368 million;
- impairment of intangible assets of R84 million;
- transaction costs of R122 million; and
- restructuring costs of R27 million.

For this reason, greater insight to the underlying performance of Aspen can be ascertained by considering the adjusted statement of comprehensive income set out in abridged format below. The adjustments made from the statement of comprehensive income disclosed in the audited Annual Financial Statements set out on page 132 (which is also set out in abridged format for reference purposes below) are the following:

- the adjusted statement deals with continuing operations only;
- all headline earnings adjustments have been made; and
- adjustments have been made to eliminate transaction costs and restructuring costs, largely related to the acquisition of the Sigma pharmaceuticals business.

ADJUSTED STATEMENT OF EARNINGS	**Audited year ended 30 June 2011 R'million**	Adjusted year ended 30 June 2011 R'million	Adjusted year ended 30 June 2010 R'million	% change
CONTINUING OPERATIONS				
Revenue	**12 383**	**12 383**	9 619	+29
Gross profit	**5 614**	**5 614**	4 477	+25
Net operating expenses	**(2 322)**	**(2 126)**	(1 740)	
Operating profit before amortisation	**3 292**	**3 488**	2 737	+27
Amortisation	**(143)**	**(143)**	(101)	
Operating profit	**3 149**	**3 345**	2 636	+27
Net funding costs	**(412)**	**(376)**	(356)	
Share of after-tax losses of associates	**–**	**–**	(2)	
Profit before tax	**2 737**	**2 969**	2 278	+30
Tax	**(582)**	**(602)**	(457)	
Profit after tax	**2 155**	**2 367**	1 821	+30
Normalised headline earnings per share (cents)		**544,3**	455,7	+19
Diluted normalised headline earnings per share (cents)		**523,3**	437,7	+20

"In a year when Aspen increased operating profit 25% to R3,1 billion, operating cash flows were even more impressive, paving the way for a 50% increase in the distribution made to shareholders. The Group has the capacity for further gearing should the appropriate investments be identified."

Gus Attridge
Deputy Group Chief Executive

Financial review continued

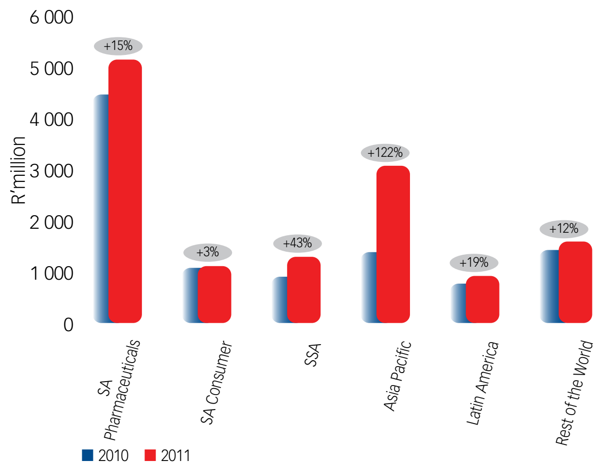
Pending dilution in earnings per share

Diluted normalised headline earnings per share is particularly relevant this year as the largest portion of the dilution relates to the convertible preference shares in the hands of BBBEE shareholder, Imithi Investments (Pty) Ltd ("Imithi"). It is expected that Imithi will convert these preference shares into ordinary shares in June 2012, so by next year-end the dilution will most likely have taken place.

Revenue growth across all regions

Gross revenue increased by 31% to R13,2 billion. Net revenue, which is reduced by the value of revenue from the Collaboration which is not recorded in Aspen's records, was 29% higher at R12,4 billion. Revenue growth was achieved in all of the major customer geographies. The Asia Pacific region grew most rapidly, increasing 122%, aided by the acquisition of the Sigma pharmaceutical business. The original Aspen Australia business also performed very well, improving revenue by 33% to R1,7 billion. The South African Consumer division achieved the most modest growth at 3%, suffering from the loss of the Pfizer infant milk licence in the last quarter and a sluggish retail sector.

Gross revenue by customer geography

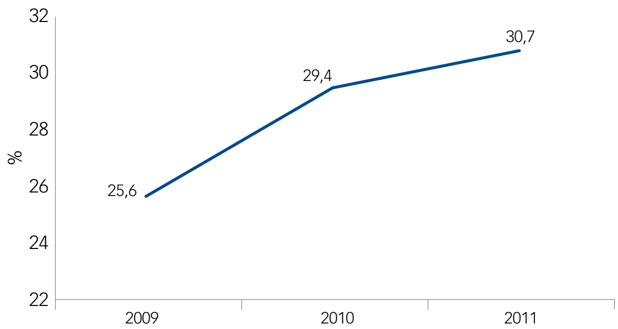


Group EBITA* margin percentage generally stable

Overall EBITA* margins have remained generally stable in the Group since the internationalisation strategy gained momentum in 2008. Set out below are the three-year trends for EBITA* margins for the three business segments.

South African business

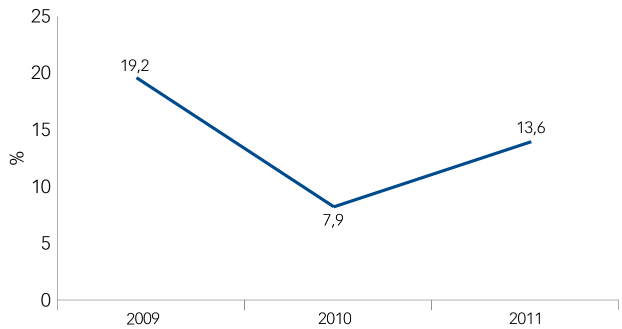
EBITA* margin trend



South African EBITA* margins have improved as a consequence of production efficiencies, procurement savings, a change in mix away from lower income ARV tender products and the relative strength of the Rand. The outlook for the margin in 2012 was reasonably stable, with further production efficiencies expected to offset pricing pressure. However, there have been recent developments which could cause a dip in the South African EBITA* margin. Lower production volumes have been experienced as expected ARV tender orders have not materialised due to Government using donor funds which procure from alternative suppliers. Lower volumes give rise to higher per unit costs. It is expected that the ARV tender will resume normal ordering patterns by January 2012. The recent Rand weakness could also weigh on the EBITA* margin if appropriate relief is not forthcoming through an increase in the SEP.

SSA business

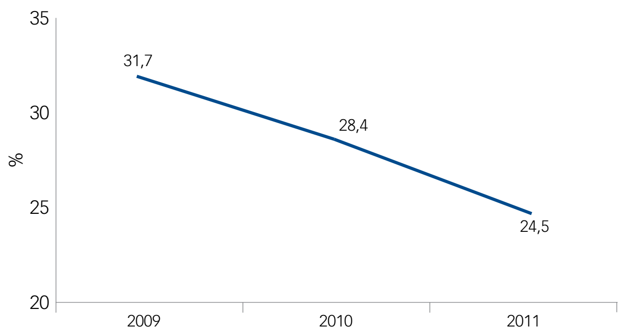
EBITA* margin trend



** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

SSA EBITA* margins improved well in 2011 with the Shelys business achieving good profit recovery. While there is modest EBITA* margin upside potential in this region, the profit share formula in the Collaboration limits this while it remains the material contributor to profits in SSA.

International business
EBITA* margin trend



As expected, the EBITA* margin in the International business declined. This was due to the margin surrendered to third party distributors in the Aspen global distribution network as global brands have increasingly transitioned away from GSK. This process is expected to be materially completed in 2012. The initial savings in cost of goods of the global brands should allow for some EBITA* margin improvement in 2012 in the International business. EBITA* margins in Asia Pacific are also expected to rise as synergies and savings are achieved in the integration of the Sigma pharmaceutical business.

Effective tax rate to rise
Depreciation, amortisation, net funding costs and taxation all increased in 2011 as a consequence of the acquisition of the Sigma pharmaceutical business. This trend can be expected to continue into 2012, given the acquisition was only in the 2011 results for five months. The effective tax rate, 20,3% after the adjustments made to arrive at normalised headline earnings, will also rise in the year ahead given the greater expected contribution from the Asia Pacific region where the largest contributor, Australia, has a corporate tax rate of 30%.

Strong cash flows
The Group delivered another year of very strong operating cash flows.

Operating cash flows	2011 R'million	2010 R'million	% change
Cash generated from operations	**2 446**	2 033	+20%
Discontinued operations	**(44)**	(139)	
Normalisation adjustments	**113**	7	
Normalised cash generated from continuing operations	**2 515**	1 901	+32%
Normalised operating cash flow per share from continuing operations (cents)	**580,9**	472,9	+23%
Profit to operating cash flow conversion rate	**107%**	104%	
Working capital as a percentage of revenue#	**22,5%**	25,3%	

Annualised.

** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

Segmental performance and financial highlights
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Financial review continued

Normalised operating cash flow per share from continuing operations at 580,9 cents exceed the normalised headline earnings per share from continuing operations of 544,3 cents. For the second successive year Aspen has been able to achieve the enviable position of generating more cash than profits from its operations, with a 107% conversion of profits to operating cash flows in 2011. This has been assisted by the reduction of working capital as a percentage of annualised net revenue to a five-year low of 22,5%. As this is some way below established norms, better understanding of the sustainable working capital cycle of the enlarged Asia Pacific business will be necessary before this kind of level can be established as a new benchmark.

The strong earnings and cash flow performance together with an assessment of existing debt service commitments and future proposed investments allowed the Board to approve an increased capital distribution to shareholders of 105 cents, up 50%. Future distributions will be decided on a year-to-year basis, taking consideration of the prevailing circumstances.

Sigma pharmaceutical business influences statement of financial position

Changes in the statement of financial position have been largely influenced by the acquisition of the Sigma pharmaceutical business which completed on 31 January 2011. The originally contracted purchase consideration of AUD900 million was reduced to AUD863 million (R6,1 billion) due to an adjustment for a reduction in the value of take-on working capital. The cash outflow in settling the transaction was reduced by a further R169 million as a consequence of favourable cash flow hedges put in place. A detailed exercise was undertaken to arrive at the initial accounting for this transaction which will be finalised in the next year. Following the assessment of fair value of the assets and liabilities of the acquired business, goodwill of R4,0 billion was calculated. This value recognises the synergies identified from the consolidation of the Sigma pharmaceutical business with Aspen's existing Australian business, as well as the capability of Aspen's global procurement network and manufacturing know-how to achieve significant savings in cost of goods.

Value of intangibles

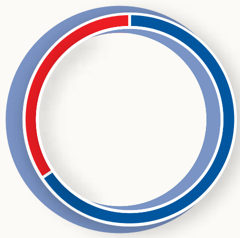
Goodwill (R4,6 billion) and intangible assets (R8,9 billion) are the two most material asset classes on the Group's statement of financial position. This is to be expected, as this represents the very essence of Aspen, as it does with many other pharmaceutical companies. Products and the brands under which they are traded are critical to the determination of value of a pharmaceutical company. International Financial Reporting Standards ("IFRS") accounting protocols require the recognition of intangible assets and goodwill at fair value of acquisition or historic cost of development with stringent tests for any impairment of these values. What IFRS accounting protocols do not allow is the recognition of the additional value created by the promotion and trading activities of the business. While the values of goodwill and intangible assets on Aspen's statement of financial position may seem relatively high, the true value of these assets is greater.

Favourable debt arrangements

Total debt in the Group was R6,7 billion at 30 June 2011. Net borrowings, calculated by removing the liability component of the convertible preference shares from net debt, stood at R6,3 billion. Gearing was at 34% and interest paid, net of interest received was covered eight times by EBITA*. The Group has capacity and support from its funders for the assumption of further debt should the appropriate investment opportunities arise. Failing this, the strong cash flow profile should result is rapid de-gearing.

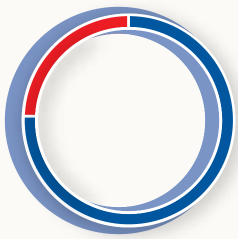
** EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*

2011



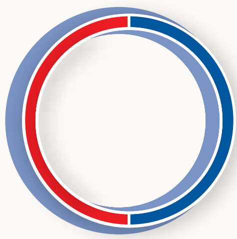
- Equity 66%
- Debt 34%

2010



- Equity 76%
- Debt 24%

2009



- Equity 48%
- Debt 52%

Aspen has concluded negotiations with its major funders around the world following which new funding arrangements have been concluded with the following material terms:

- three independent "debt pools" have been formed, one for each of South Africa/SSA, Asia Pacific and International;
- the "debt pools" are independent of one another; and
- the "debt pools" are unsecured.

Total net borrowings R6,3 billion

South Africa/SSA
R3,5 billion

International
R1,8 billion

Asia Pacific
R1,0 billion

These arrangements allow each of these regions to access and raise its own debt on an independent basis, matched to the cash flows of that region. The blended cost of finance is approximately 7%, variable with the benchmark rate (LIBOR, JIBAR, etc).

Gus Attridge
Deputy Group Chief Executive
21 October 2011

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Business unit review – South African business

Sales and marketing

The South African business provides a diverse basket of high quality, affordable products which are supplied to pharmacies, retail pharmacy chains, hospitals, clinics, prescribing specialists, dispensing general practitioners, managed healthcare funders and retail stores across the private and public sectors, as well as to selected export markets in SSA. APIs are sold into South Africa and to export territories globally. Aspen's range of branded, generic, OTC, consumer and infant nutritional products offers the convenience of a "one-stop-shop" service to its broad base of customers.

	2011 R'million	2010 R'million	Growth %
Revenue	**6 296**	5 575	+13
Pharmaceutical division	**5 178**	4 491	+15
Consumer division	**1 119**	1 084	+3
EBITA*	**1 934**	1 639	+18
EBITA* margin	**30,7%**	29,4%	

Sustained growth

Revenue from the South African business increased by 13% to R6,3 billion and EBITA* grew 18% to R1,9 billion. There was an improvement in EBITA* margins as a consequence of production efficiencies, procurement savings, a change in mix away from low margin ARV tender products and relative Rand strength.

The South African pharmaceutical market remains robust

The Pharmaceutical division led growth in the South African business, increasing revenue by 15% to R5,2 billion. This was achieved despite enduring the challenges of its two biggest brands, Seretide and Truvada, coming under generic competition for the first time, as well as reduced pricing and lower than expected offtakes in the new ARV tender which commenced in January 2011.

The South African private pharmaceutical sector grew by 6,3% (2010: 11,1%) in value during the year. The curtailed value growth in the pharmaceutical market is largely attributable to a 0% SEP increase being granted by the Department of Health in 2011, despite rising consumer and producer price inflation. Furthermore, as patents on originator products expire, the values of the branded products are diluted by genericisation. Demographic factors and the social imperative of improving access to medicines are likely to sustain growth in the demand for medicines in South Africa for several years yet.

Aspen has retained its position as the number one company in private sector pharmaceuticals with a 17% (2010: 17 %) share.

Growth in the private pharmaceutical sector was driven by generics which increased by 13,1% over the year. Aspen, as the category leader, excelled, growing ahead of the market at a rate of 13,6%. At 30 June 2011 Aspen had a 31% share of the private generics segment. Aspen also continued as the leading supplier of medicines to the public sector. This was underlined by the award to Aspen of the largest part of the ARV tender (41%) as well as the 2011 TB (29%) and Anti-infectives (21%) tenders. Regrettably volume offtake in the new ARV tender has been well below expected levels as the Department of Health has used substitute donor-funded products.

Aspen lost market share in the branded category of the private sector, where it is ranked second, as its two biggest brands, Seretide and Truvada, came under generic competition for the first time. The South African team has been particularly successful in its strategy to defend the Seretide molecule by launching a generic, Foxair, which has more than compensated for volume declines in Seretide. Approximately R100 million in revenue has been lost in Truvada sales. Although Aspen has launched a generic, the lost Truvada sales are not expected to be recovered as this double combination product is being replaced by the triple combination product, Atripla, which was launched recently and has convenience and compliance benefits. Additional Aspen generic triple combination products have been submitted for registration.

The 2011 Campbell Belman Confidence Predictor Survey again showed Aspen as the leading pharmaceutical company in South Africa as ranked by independent pharmacists, managed healthcare providers and managed healthcare funders. Aspen's ranking among GPs also improved to 9th position from 14th in 2010, a most credible performance against the original-research-based multinational companies. The Impact Rx data for June 2011 confirmed that one in four script lines in South Africa continue to be dispensed for an

** EBITA presents operating profit from continuing operations before amortisation adjusted for non-trading items as set out in the Segmental Analysis on page 141.*

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Business unit review – South African business continued

Sales and marketing continued

Aspen product. These achievements have been realised through continued prioritisation of customer relationship management and ensuring sustained access to high quality, cost effective Aspen medicines for patients in the private and public sectors.

Despite the slow rate of product registration through the MCC, Aspen launched a total of 17 products over a 12 month period as reported in the June 2011 IMS data, the most by number and value in the industry. Following enhancements to the product launch coordination process and renewed management focus, good performance was seen from recently launched products which include Aspen Meropenem, Aspelone, Foxair and Synflorix.

Leading pharmaceutical prescription and OTC brands include:

Product	Description
Altosec	For the treatment of ulcerative conditions of the gastrointestinal tract
Aspen Lamzid	For the treatment of HIV/AIDS
Augmentin	For the treatment of bacterial infections
Avamys	For the treatment of allergic rhinitis
CiLift	For the treatment of depression
Eltroxin	For the treatment of hyperthyroidism
Flusin	For the treatment of cold and flu symptoms
Hyospasmol	For the treatment of conditions associated with gastrointestinal spasm
Lenadol	For the treatment of mild to moderate pain associated with tension and fever
Mybulen	For the treatment of mild to moderate pain
Rinex	For the treatment of colds, flu and allergic rhinitis
Seretide/Foxair	For the treatment of asthma and chronic obstructive pulmonary disease
Sinuclear	For the treatment of sinusitis and congestion
Stilpane	For the treatment of tension induced pain
Vectoryl	For the treatment of hypertension and congestive heart failure

Aspen's OTC business grew by 13,4% compared to IMS market growth of 13,7% in this segment where Aspen is the second largest player. Focus on accelerating momentum in this area of the business has been stepped up to achieve further penetration in the medium term in both the South African and selected export markets.

Challenges in the Consumer division result in modest growth

Revenue from the Consumer division for the year increased 3% to R1,1 billion in a slow retail market.

The Consumer division has had to adapt to the loss of the Pfizer infant milk formula distribution licence in the last quarter. Infacare Gold, a premium infant nutritional formula, has been launched and initial offtake has been encouraging. The infant nutritional product offering in South Africa has also been extended by the launch of Melegi, an acidified infant formula. Further specialist formulations are also available in the range, including anti-reflux and lactose free variants. Subsequent to year-end, Aspen was awarded the vast majority of all infant nutritional product categories for which it tendered in the Infant Nutritionals public sector tender, announced in September 2011.

This was the first time Aspen participated in this tender and the successful performance presents a springboard for further growing Infacare and Melegi brand awareness to a broader base of customers throughout South Africa.

The consumer retail brands achieved double digit growth in spite of very difficult economic conditions that have prevailed especially for the lower end of the consumer market. Key established brands, such as dutch medicines, Woodwards Gripe Water and Hamburg Tea, contributed to this strong growth.

As part of a strategy to exit the personal care segment and to concentrate its consumer business on infant milks and medicated preparations, Aspen made a number of disposals during the year, including the Playboy range of deodorants and the Formule Naturelle range of products. Subsequent to the year-end the toothpaste brands have also been sold.

Leading Consumer brands include:

Product	Description
Flutex	For the treatment of cold and flu symptoms
Hamburg Tea	For the treatment of occasional constipation
Infacare	For the nourishment of infants
Lennon Dutch Medicines	For the treatment of assorted ailments
Woodwards Gripe Water	For the treatment of infant gripes

Business unit review – South African business continued

South African operations

Expansion, upgrade, diversification and rationalisation of manufacturing facilities have harmonised production. Aspen is well positioned to leverage its manufacturing expertise to supply increasing volumes to its South African and international markets.

Unit 1 (OSD facility) expands to record capacity

The capacity expansion project at Unit 1 was successfully completed in 2011. Unit 1 now has two 1 500 litre Integrated Granulation Suites. Supported by the existing two 900 litre Integrated Granulation Suites, the capacity in this facility has now been increased to 6 billion tablets, with the ability to supply US FDA, WHO, TGA, MHRA, MCC and ANVISA-regulated markets. This level of tableting capacity provides an excellent platform to accommodate volume growth from both the South African and International businesses.

The first transfer of selected global brands and Australian brands for production at Unit 1 has commenced, enabling the imminent supply of products into 14 markets in the European Union and Australia. A further transfer of products from other international manufacturers to Unit 1 is in progress.

Unit 2 (the second OSD facility) reaches full commercial production

Phase A of Unit 2, dedicated to the manufacture of fluid-bed dried products, was commercialised in September 2009, and Phase B, dedicated to the manufacture of oven-dried products, was commercialised in January 2011. Advanced technologies and improved manufacturing processes at enhanced levels of GMP compliance have been implemented in this upgraded facility. Transfer of products into Phase B from Unit 3 (the Heritage facility) is in the final stages.

The strategy for the conversion of tablet manufacturing technology and processes has yielded significant gains in production efficiencies and improved cost effectiveness of products, as evidenced in the recent ARV, Anti-infectives and TB tender awards where Aspen secured a significant portion of the products which were selected for tender.

Facility management and quality systems for Unit 1 and Unit 2 have been integrated and consolidated into the management and world class quality systems of Unit 1. This enables the manufacturing technology, manufacturing capabilities and capacity in Unit 2 to be used to supply the South African as well as the international markets.

Upgrade and expansion of the East London site

The upgrade of the East London site is progressing in accordance with plans. The enhancement of manufacturing capability and capacity for the production of suppositories, creams, ointments and dutch medicines was completed in 2010. During the year, the new raw materials warehouse was constructed and the upgrade of the off-site warehouse was completed. The construction of a new dispensary is currently in progress and is expected to be completed towards the end of the year. The levels of GMP compliance have been significantly enhanced in alignment with PIC standards. Following the completion of this upgrade project, the East London multi-purpose site will be able to supply to South African and SSA markets.

The capability at the East London site is being further diversified for liquids manufacturing. Construction of the first phase of the new Liquids facility is expected to be completed during the 2013 financial year.

Production of lyophilised vials at the Sterile facility

The multi-product suite at the Sterile facility continues to produce eye drops for export to the United States for Prestige Brands Incorporated. In conjunction with Prestige, the Clear Eyes and Murine ranges have been extended to further increase export volumes. In addition, Aspen has introduced its own eye drops product range for the South African business which has been transferred to the Sterile facility from outsourced suppliers.

A number of additional lyophilised vials and high potency products for international markets are in the process of being introduced into the multi-product and hormonal high potency suites.

The Sterile facility commenced supply of the multi-drug resistant product, Capreomycin, following the successful technical transfer of the product from Eli Lilly.

Plans to extend the lyophilised vial capacity as well as to introduce dry powder and ampoule filling capabilities have been initiated.

Once the intended projects are completed, the multi-product and high potency manufacturing capability at the Sterile facility will provide a niche platform to supply a wide range of sterile product presentations to customers worldwide.

The MCC has granted an export certificate to supply products manufactured at the Sterile facility to US FDA markets. The facility is awaiting a US FDA inspection which is pending confirmation from the regulatory authority.

Restored Aspen Nutritionals site well positioned to support infant milk formula growth

An explosion in the drying tower in August 2009 disabled production at the Aspen Nutritionals site for most of the 2010 financial year. The restoration project was completed and the site recommenced production at the end of August 2010.

The replacement drier represents the latest drying technology available and additional drying capacity has been added to enable production of higher infant milk formula volumes more efficiently. During the restoration phase, selected other manufacturing areas were also upgraded to meet latest hygiene standards and to increase powder handling and storage capacity.

In response to the unforeseen termination of the Pfizer infant milk licence, Aspen has focused its strategy to further grow the Infacare brand and develop the product range for South Africa and SSA. Investigation is also underway to explore export opportunities in selected emerging markets.

Continuous improvement delivers results

The focus on continuous improvement has been expanded across the South African sites and has increased efficiency, reduced complexity and improved cost effectiveness. Continuous improvement targets are set and monitored regularly to measure progress.

Manufacturing efficiencies have been realised through the implementation of projects focusing on increasing machine output rate, reduction of change-over and cleaning times, improved engineering standards and improvements in product yields. Packaging efficiencies have been improved through packing component innovation and rationalisation, packing automation and process optimisation projects.

The management structures across sites have been consolidated and integrated, improving consistency of processes, efficiency, responsiveness and lowering costs.

Investment has been made in supporting more learnership and apprenticeship programmes to mitigate the risk of skills shortages in South Africa. Investment was also made in structured skills development, functional and managerial training programmes in alignment with business objectives, to ensure sustainability of Aspen's human capital.

Significant advancements have been made in better leveraging available information technology to support continuous improvement objectives. Automated systems have been implemented in the Quality Assurance, Quality Control and Human Resources areas. A project is in place to replace all paper-based manufacturing and packing documents with electronic on-line documents. The project will be completed in 2011. Barcode inventory management systems were implemented at the warehouses to improve inventory management controls and efficiencies. These systems are in the process of being rolled out into production operations.

The commitment and diligence of the South African Operations team, the continuous improvement initiatives and the various site upgrade and expansion capital projects, have contributed to the realisation of a widely accredited, flexible manufacturing base, able to ensure continued supply of high quality and cost-effective medicines to Aspen's customers throughout the world.

Investment at FCC

Investment is being made to increase the capacity and enhance GMP compliance levels at FCC to create additional capability for contained manufacturing at this API facility. This is in alignment with the Group's vertical integration objectives for selected global brands. The construction of the high potency API laboratory as well as the expansion and refurbishment of the administration areas were completed during the year. An upgrade and expansion project for selected manufacturing blocks on the sites and for the enhancement of supporting quality systems commenced in 2011 and is phased over a period of five years. To date, this upgrade project has progressed in accordance with planned milestones. A US FDA audit took place at FCC during September 2011 and re-accreditation was successful.

A technical development project for Azathioprine, a leading product manufactured at FCC, has progressed to an advanced stage of testing and validation for use in the manufacture of the global brand, Imuran. Commercialisation is expected to take place during the 2013 year.

Business unit review – sub-Saharan Africa

Strengthening the African footprint

Aspen's presence in SSA is represented through its subsidiary Shelys, the Collaboration and export of selected products into the region. Aspen supplies a portfolio of branded, generic, OTC and consumer products through a strong distribution platform.

	2011 R'million	2010 R'million	Growth %
Gross revenue	1 301	910	+43
EBITA*	177	72	+145
EBITA* margin	13,6%	7,9%	

Aspen cements its performance in Africa

The Group's gross revenue in SSA advanced by 43% to R1,3 billion and EBITA* more than doubled, increasing from R72 million to R177 million. A full year's contribution (prior year 7 months) from the Collaboration assisted in this substantial step-up in results. There was also an improved performance from Shelys in East Africa where margins improved.

Growing the private and exports market in East and Central Africa

The private market strategy for branded pharmaceutical products in Tanzania has gained traction following the implementation of marketing and promotional strategies to better align the commercial activities at Shelys with the Group's objectives. This has resulted in significant year-on-year growth in branded products. The branded products business has gained further momentum through the extension of existing brands such as Diclopar and Malafin and the launch of new products including Rabep, Clotrisone and Dermacin.

The OTC business in Kenya continues to perform well with established brands such as Action and Mara Moja, while newer products such as Betasil lozenges and the recently introduced herbal product range are showing strong growth.

Export distribution channels have been expanded in the neighbouring East African countries and, as a result, sales growth was achieved in territories such as the Democratic Republic of Congo, Zambia and Malawi. Further expansion plans are earmarked for other East and Central African territories.

Shelys' robust distribution network has been leveraged to successfully launch Aspen's infant milk formula, Infacare, into Kenya, Uganda, Ethiopia and the Democratic Republic of Congo. Significant investment has been made in developing formulations and designing product packaging to meet the specific regulatory requirements unique to each territory into which these products are sold. Plans are in place to further expand the distribution of the Infacare brand in SSA.

The new manufacturing site in Kenya, commercialised in 2010, is fully operational and manufacturing efficiencies continue to be realised. The site is capable of producing pharmaceutical, OTC and consumer products. Selected products from the Aspen pipeline are currently being transferred for manufacture to the Nairobi site to supply the East African market.

Leading brands in SSA include:

Product	Description
Action	For the treatment of acute headaches
Diclopar	For the treatment of pain and fever
Malafin	For the treatment of malaria
Mara Moja	For the treatment of general pain
Mucolyn	For the treatment of coughs and colds

Collaboration progressing well

The Collaboration has performed well and sales representation is being increased to support the growing branded generics business. Some products from the Aspen pipeline have obtained regulatory approval and the Collaboration expects to launch its first new product in January 2012.

Synergies in the Collaboration will be realised as the Aspen products are added to the existing GSK product portfolio. In total, 224 products in the pipeline have been submitted for registration. Of these, 73 products are targeted for launch in Nigeria, Kenya and Ghana. Aspen's pipeline offers products that are relevant to address the disease profiles in the SSA territories and are available at affordable prices to patients in this region.

Leading brands in the Collaboration include:

Product	Description
Amoxil	For the treatment of bacterial infections
Augmentin	For the treatment of bacterial infections
Rotarix	For the prevention of rotavirus gastroenteritis in children
Seretide	For the treatment of asthma
Ventolyn	For the emergency treatment of asthma
Zantac	For the treatment and prevention of gastric ulcers

** EBITA presents operating profit from continuing operations before amortisation adjusted for non-trading items as set out in the segmental analysis on page 141.*

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Business unit review – International business

Aspen's footprint extends across five continents

The Group's International business extends Aspen's footprint to more than 100 countries across five continents. Aspen's international product offering comprises a portfolio of branded, generic OTC, consumer and infant nutritional products which are relevant to disease profiles in the territories concerned and which are largely sold into the private sector.

	2011 R'million	2010 R'million	Growth %
Gross revenue	**5 617**	3 603	+56
By customer geography:			
Asia Pacific	**3 091**	1 394	+122
Latin America	**925**	774	+19
Rest of the World	**1 601**	1 435	+12
EBITA*	**1 377**	1 023	+35
EBITA* margin	**24,5%**	28,4%	

Acquisition of Sigma pharmaceutical business propels Asia Pacific region to a new level

The growth prospects in the Asia Pacific business were enhanced through the acquisition of the Sigma pharmaceutical business with effect from 31 January 2011. The addition of the Sigma pharmaceutical business was the primary driver in revenue from customers in the Asia Pacific region increasing 122% to R3,1 billion. However, the original Australian business also performed strongly, raising revenue by 33% to R1,7 billion.

The integration of Sigma's pharmaceutical business into Aspen Australia has progressed well, exceeding expectations under the leadership of a focused and experienced management team. The Australian business has grown to 768 employees from just 84 a year ago. The Sigma pharmaceutical business acquired includes branded, OTC and a consumer range of products – all business segments with which the Aspen Australia management team has considerable experience. New elements introduced by the investment are generics and manufacturing facilities. Direction was provided by the Group in formulating a strategy around these unfamiliar aspects and in selecting appropriate former Sigma employees to lead these areas.

Five manufacturing sites were acquired from Sigma. Following the acquisition, the Tennyson site in Brisbane was sold off in accordance with the manufacturing consolidation plan, and announcements have been made for the closure of the Noble Park and Croydon sites. Manufacturing will be centred at the Dandenong site for the manufacture of liquids, semi-solids, consumer and OTC products, local packing and to leverage the Australian manufacturing base for exports into Asia Pacific, specifically into Japan – a market with stringent quality requirements for all products which are imported. Baulkham Hills will concentrate on flexible manufacturing and packaging.

Following the acquisition of the Sigma pharmaceutical business, Aspen is ranked number one in Australia for the number of scripts written, 14% of the script share being for a product marketed by Aspen. Aspen is placed seventh in IMS sales value rankings in Australia. The acquired Herron brand was voted by Australian Readers Digest readers as one of the pharmaceutical industry's most trusted brands and provides a robust platform for the OTC and consumer portfolio. The potential for launching a Herron infant milk formula in Australia and South East Asian markets is under investigation.

The New Zealand business has grown from strength to strength, delivering R79,9 million of sales in a very tough market.

A regional office was established in Hong Kong in 2009 which has overseen the introduction of the Aspen brand into Asia. Aspen is expanding its footprint in the region with the incorporation of a subsidiary in the Philippines. Marcelina Itchon has been appointed as Aspen's Chief Executive Officer in the Philippines and a sales representative team of up to 100 is in the process of being recruited.

Aspen's Asia Pacific business is set to become a significant contributor to the Group.

Leading brands in Asia Pacific include:

Product	Description
Bio-Oil	For the treatment of scars and skin care
Cardizem	For the treatment of hypertension
Chlorsig	For the treatment of eye infections
Coloxyl	For the treatment of constipation
Coumadin/ Marevan	For the treatment of prophylaxis and/or venous thrombosis
Keflex	For the treatment of upper respiratory, ear, skin and urinary tract infections
Murine	For the treatment of ophthalmic conditions
Oroxine	For the treatment of thyroid hormone deficiency
Salofalk	For the treatment of ulcerative colitis
Tritrace	For the treatment of hypertension

** EBITA presents operating profit from continuing operations before amortisation adjusted for non-trading items as set out in the segmental analysis on page 141.*

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Business unit review – International Business continued

Foundation set in Latin America for a sustainable business model

In Latin America, revenue of R0,9 billion was generated, an increase of 19%. Brazil contributed 54% to this revenue, with the balance being generated in Mexico (24%), Venezuela (11%) and the rest of Spanish Latin America (11%).

Aspen augments its business in Brazil

At an IMS value of USD21 billion, Brazil remains the largest pharmaceutical market in Latin America and during 2011 it grew by 19%. In this brand conscious, high-priced market, the generic sector is showing healthy growth. Demographics in Brazil indicate a growing middle class which further favours growth in generics.

After a lengthy period during which the post was vacant, Alexandre Franca has been appointed as Chief Executive Officer and he has already made a difference in the leadership of the Brazilian business. Focus has been given to developing Aspen's branded products and private market strategy. By the end of the year, the state tender business had been reduced to represent only 20% of sales. The Campos site, which focused on the manufacture of penicillins and penems mainly for the public and hospital sectors, was disposed of subsequent to year-end, together with related non-core products. In the year ahead, emphasis will be placed on brand building and developing critical mass through product additions when the opportunities to do so can be identified.

Revenue in Brazil showed an increase over the prior year, due to organic growth from the global brands and good performance from brands such as Giamebil and Melxi. Established brands such as Calman and Alcachofra continued to perform well. Aspen made successful inroads into the diabetes market with Insunorm, a product which is included on the State sponsored medicines list. Aspen currently has 126 sales representatives in Brazil.

The business controls systems are being strengthened by investment in a new Enterprise Resource System (SAP) to enhance financial controls and management reporting capability. Employees are receiving systems training and standard operating procedures are being updated to prepare for the implementation of SAP.

Leading brands sold in Brazil include:

Product	Description
Calman	For the treatment of nervous tension and mild depression
Giamebil	For the treatment of parasites
Insunorm	For the treatment of diabetes
Melxi	For the treatment of coughs
Zyloric	For the treatment of gout

Spanish Latin America delivers steady growth

Aspen's presence in Spanish Latin America is through subsidiaries in Mexico and Venezuela, where it is ranked 50th and 78th respectively in accordance with IMS data, and through distributors in the remaining countries. Mexico is the second largest market in Latin America after Brazil, valued at USD8 billion and is the highest priced market in the region. The Venezuelan market is valued at USD6 billion. The National Development Plan recently implemented in Mexico, aims to introduce a universal medical insurance providing more than 100 million people with access to public healthcare. This increases future growth prospects for high quality, affordable generics in this region.

Aspen's sales team in Mexico has been split into branded and commercial sales teams to increase pharmacy activities and point-of-sale coverage while retaining brand promotion. Sales force training has been given the necessary focus to support this distinction. The re-introduction of Aldomet and Indocid in August 2010 had a positive impact on revenue growth. Particular promotional focus was given to growing the global brands. Export opportunities for manufactured products are being sought in Venezuela and Panama.

The Venezuelan business delivered pleasing performance but results were impacted by the continued devaluation of the Bolivar against the US Dollar and the implementation of pricing controls by regulators. The transition of global brands to the Aspen Venezuela distribution network commenced during the year. Distribution agreements were signed with Indian company, Intas Pharmaceuticals Ltd, and the existing local partner, Lapreven, for pharmaceutical and OTC products respectively. Registration was received for Clopidogrel, an anticoagulent, which is planned for launch in 2012.

To consolidate commercial and regulatory management of the Spanish Latin American businesses, a central regional structure is being implemented, based in Mexico City. This structure will be responsible for implementing the growth strategy throughout the rest of Spanish Latin America and to provide effective regulatory intelligence and support to meet territory-specific requirements.

Leading brands sold in Spanish Latin America include:

Product	Description
Aggrastat	For the treatment of acute coronary syndrome
Fibroxol	For the treatment of hyperlipidaemia
Solcer	For the treatment of ulcers and gastroesophageal reflux disease
Solipred	For the treatment of bronchial inflammation or acute bronchitis
Zyloric	For the treatment of gout

Rest of the World delivers steady growth

The Aspen business in the Rest of the World territory recorded growth in the global brands marketed in Eastern Europe, the Middle East and in Canada. Value declines were recorded in the Western European markets as pricing regulations diluted value growth for these products. Distribution in this region is currently outsourced to accredited third-party distributors who form part of the Aspen Global distribution network. Commercialisation of the global brands is managed by Aspen Global in Mauritius with assistance in the Rest of the World geography from subsidiaries in Dubai and Ireland.

Aspen Bad Oldesloe, the German manufacturing site acquired from GSK in December 2009, has been successfully integrated into the Group over the past year and has made a meaningful contribution to sustaining the reliable supply of the global brands manufactured at this site. A recent employee survey showed that Aspen Bad Oldesloe employees have embraced the transition and are positive about being part of Aspen.

Continuous improvement is an embedded part of the Aspen Bad Oldesloe culture, led by a dedicated team. During the year, enhancements were made to the production planning in the tablet manufacturing area and KAIZEN principles were applied to key activities on the tablet bottle filling line. Barcode scanning systems were also implemented to improve efficiencies in stock controls.

A new SAP system was successfully implemented at Aspen Bad Oldesloe which will improve integration with the Group's financial systems and facilitate attainment of supply chain efficiencies.

Revenue in the Rest of the World territories rose 12% to R1,6 billion.

Risk management

A formal risk reporting process has been in place in the Group for more than a decade. This process has evolved over this period and has, in particular, taken guidance from the King reports on Corporate Governance and, more recently, King III. A culture of risk management is embedded in all of the Group's business units. This is an integral aspect of the way business is approached at Aspen. Management devotes a material portion of their time to identifying risks and devising plans to mitigate risk. While this approach to risk is deeply embedded in the day-to-day activities of the Group, it is not the subject of a formalised risk management approach which requires identification, impact, response and resolution of each risk to be documented. Rather, it is a live process which is engrained in the *modus operandi* of business management activities. It is Aspen's philosophy that priority should be given to risk identification and resolution rather than extensive recordal of these activities. There is a formal strategic level, half yearly risk assessment and reporting process on a business unit-by-business unit level.

Aspen's risk governance structure

Strategic, operational, financial and compliance risks

Aspen's **Board of Directors** is responsible for governance of risk in the Group, for setting the risk appetite and for monitoring the relevance and effectiveness of the Group's risk management processes.

The **Risk & Sustainability Committee** of Aspen's Board of Directors reviews the Group's material risks and evaluates the effectiveness of risk mitigation plans. This Committee also reviews the status of residual risk levels against the Group's risk appetite. Risk management plans, prepared by management, are reviewed to ensure that those plans adequately support the Group's strategic and sustainability objectives.

The **Group Executive Risk Forum** engages with management, reviews the risk registers and evaluates the extent to which the Risk Management Policy is effectively integrated in the day-to-day operations of the subsidiaries in each geographic territory. The Group's top material risks, together with their impact on the Group, are identified together with supporting mitigating actions and reported to the Risk & Sustainability Committee.

Regional financial managers are responsible for performing an oversight function over compliance to the Risk Management Policy for all subsidiaries in the relevant region and for monitoring the adequacy and effectiveness of the risk governance structures and for monitoring the effective prioritisation of risk mitigation activities at each subsidiary.

The **Board of Directors** of each subsidiary is responsible for promoting the risk management culture within the subsidiary and for monitoring the effectiveness of the implemented risk management process in the relevant entity. The subsidiary's Board of Directors approves the annual risk plan, as prepared by the executive management team, and monitors the status of risks on a quarterly basis.

The **executive management** team of each subsidiary is responsible for the implementation and monitoring of effective strategic, operational, financial and compliance risk management processes on a day-to-day basis and for maintaining the risk register.

The Group Internal Audit Department and, when required, external assurance providers, provide assurance on the effectiveness of the risk management process

EXTRACTS OF ASPEN'S RISK MANAGEMENT POLICY

Group's risk philosophy and objectives

Aspen's reputation and credibility are based upon its total commitment to conducting business as a responsible corporate citizen in pursuit of creating sustainable value for stakeholders. To this end, risk management is an embedded attribute of the corporate culture at Aspen and is inherent to all business decisions, activities and transactions. Risk management is considered to be a core pre-requisite to the sustainability of the Group. As such, an integrated approach to risk management is implemented giving due consideration to economic, environmental and social indicators which impact the Company and its stakeholders. Both the opportunities and threats underlying each identified risk are considered to ensure a balanced outcome between risk and reward for the sustainability of the Group as a whole. Aspen's risk management objectives aim to sustainably support the effective pursuit of Group strategy.

In accordance with King III, the Board of Directors of Aspen is responsible for the governance of risk. The Board has delegated this function to its Risk & Sustainability Committee. The Executive Risk Forum performs an oversight function over the Group risk management process and evaluates the Group's top risks. Executive management teams are responsible for the formulation of risk management plans and implementation thereof, once these plans are approved by the Board. The Board reviews the risk management plans on an annual basis to ensure that those plans adequately support the Group's strategic and sustainability objectives. Accordingly, this Risk Policy is reviewed annually and amended when necessary.

The Group's risk philosophy aims to support:
- the fiduciary duties of the Group's directors and management;
- the Board's commitment to strong corporate governance;
- optimisation of opportunities for the Group in a commercially calculated and responsible manner;
- compliance with legislation and regulations applicable to the Group;
- sustainable enhancement of stakeholder value;
- alignment of operational plans to the Group's overall strategic objectives;
- alignment of business activities and business plans to the Group's economic, social and environmental objectives and aspirations;
- promoting risk awareness and advocating good risk management practices among employees throughout the Group; and
- the ability to offer an empowering and rewarding environment for employees and business partners, coupled with a culture of accountability in the Group.

Definitions

Risk is defined as the prospect of an event or situation which is expected to have an impact on the achievement of business objectives should such an event or situation occur.

Risk management is defined as a process applied to identify, evaluate and appropriately respond to the prospect of an event which is expected to have an impact on the achievement of business objectives.

The risk management approach

Risk identification and mitigation are inherent elements in conducting all business. Risks are identified, *inter alia*, through the monitoring of internal incidents, results of internal meetings/forums/discussions, monitoring market intelligence relevant to the pharmaceutical industry and operating environment, interaction with identified stakeholders including customers, suppliers, the media and the investment community as well as other relevant means.

As risk management is essential to the effective execution of each function, risk identification is an ongoing process at the operational and functional level. Executive management reviews risks on a quarterly basis and the Risk & Sustainability Committee and the Group's Board perform this formal review process twice per year. New members of the executive management team participate in a risk identification and reporting training session upon joining the Group.

Following a management self-assessment of the control effectiveness and resultant residual risk, the proposed risk plan is reviewed and adopted in accordance with the functional reporting structure.

A risk plan could include the following courses of action:
- acceptance of the risk with a risk mitigation plan;
- transfer of the risk to third parties in accordance with negotiated terms and conditions of a contract;
- mitigation of the risks with a mitigation plan;
- deferring a proposed risk plan subject to further investigation; and/or
- elevation of the residual risk to a higher level of management for further assessment.

The resultant residual risk is assessed against a pre-determined level of desired residual risk in determining whether the risk management plans are appropriate.

Risk assurance

The Group's Internal Audit Department provides assurance on the integrity and robustness of the risk management process on an annual basis. The Group Internal Audit Department provides assurance on the effectiveness of risk mitigation controls in accordance with a structured audit plan. Where required, consideration is given to engaging external assurance providers to provide additional assurance and/or guidance on the risk management process to the extent that the Internal Audit Department does not have the experience and capability to provide the required level of assurance.

Risk management continued

KEY RISKS AND MITIGATING ACTIVITIES

The Group's corporate risk mitigation activities and initiatives are outlined in the pages which follow.

Risk indicator	Mitigation of risk
Strategic risk	
Effective strategy and ability to ensure the long-term growth of the Aspen Group	• The Group Chief Executive and Deputy Group Chief Executive continuously monitor the relevance and sustainability of the Group strategy and update the Board at least quarterly. • Aspen has been effective in building and leveraging strategic relationships with leading pharmaceutical companies worldwide and the continuity and expansion of these relationships is managed by the Group Chief Executive, Deputy Group Chief Executive and Group executives. • Aspen's flexible business model and quick decision-making ability enables it to respond with speed to growth opportunities which are presented to the Group. • Executive management in each region is responsible for monitoring market indicators, for identifying regional growth opportunities and ensuring effective implementation of the approved strategy.
Ability to source and launch product pipeline	• High priority is given to accumulating relevant market intelligence on patent expirations. • Established relationships exist with leading originator and development companies which facilitate access to dossiers upon patent expiration. • In-house development capability exists. • Aspen's presence in complex, emerging markets creates opportunities for licensing arrangements for specialised products. • The process from product identification to launch has been revised to improve the conversion of the product pipeline to new product launches in accordance with milestones.
Effective integration of acquisitions into the Group and adoption of Aspen's corporate culture	• The Group Chief Executive and Deputy Group Chief Executive interact with the International businesses on a regular basis to provide guidance on strategy and to assess cultural alignment. • Regional finance executives are custodians of the allocated territories and regularly visit their allocated territories in order to facilitate the integration of management culture, internal controls, financial reporting controls and corporate governance. • Group executives leading the various functional areas take responsibility for ensuring, understanding and implementing Aspen's practices and policy, conducting site visits and workshops to facilitate this.
Effectively managing Group corporate governance	• Strong emphasis is placed on good corporate governance, high integrity and robust internal controls. • Executive management actively entrenches good corporate governance principles in all strategic and operational activities. • Directors, executives and managerial staff are obliged to declare any potential or existing conflict of interests which are then logged in a register. • Adherence to Aspen's Code of Conduct is monitored by management in each region.
Effectiveness of corporate communications, investor relations and stakeholder engagement processes	• Aspen's corporate identity, branding and investor relations are managed centrally from the corporate office. • Stakeholder engagement is an inherent part of management processes. • A dedicated communications consultant is in place to manage corporate identity and branding and co-ordinate relationships associated with the media. • An Investor Relations Manager is responsible for relationships with investors and analysts.

Risk indicator	Mitigation of risk
Strategic risk (continued)	
Entrenching a strong and ethical, moral culture throughout the Group	• Unified vision, mission and values across the Group. • Proactive steps have been taken to ensure that the Group's corporate governance protocols follow the guidance of King III. • A strong ethical culture is driven by a high-calibre Board of Directors. • An independently monitored Tip-Offs Anonymous hotline is in place for anonymous reporting of suspected fraud, corruption or unethical behaviour.
Aspen leadership succession	• The Board monitors the adequacy of leadership succession plans. • The Group Chief Executive and Deputy Group Chief Executive have identified successors for key aspects of their Group function. • A multi-territory leadership cadre has been established.
Operational risk	
Effective and consistent implementation of Group Human Resources philosophy	• Structured recruitment processes to attract employees who fit the Aspen corporate culture. • Skills development programmes are in place with relevant tertiary institutions in South Africa for the development of pharmacists, engineers and artisans. • Retention plans are in place for key staff. • Succession plans are in place for key positions. • A formalised performance management system is in place for all managerial staff in the South African business and decentralised performance management systems are applied in the International businesses. • Performance incentive schemes are linked to performance management systems. • Structured training and development programmes are in place for all staff. • Preference is given to internal staff for vacant positions. • Diversity of employee cultures, gender and backgrounds is respected throughout the Group. • Labour relations laws applicable to the various operations are strictly adhered to. • Staff are entitled to belong to trade unions and bargaining councils. • Human rights are protected by the Aspen Code of Conduct which prohibits discrimination in any form.
Adequacy and effectiveness of IT governance and integration of IT systems	• The Group Chief Information Officer regularly reports to the Board. • A disaster recovery and information back-up plan is in place for business continuity in South Africa, Aspen Global and Aspen Bad Oldesloe . • IT systems in the international operations have been re-assessed and new enterprise resource planning systems are being implemented at Aspen Brazil and Shelys to improve operational controls and quality of management information. • Group IT integration is reviewed on an ongoing basis to improve effectiveness and efficiency of Group information management. • IT systems controls are reviewed and audited by external consultants on an annual basis.
Integration of Group supply chain	• A Demand and Operations Process is facilitated by senior executives for co-ordination of supply chain projects across all territories. IT systems supporting supply chain objectives are reviewed on an ongoing basis to ensure adequacy and effectiveness of enterprise resource planning systems to support demand management and/or production planning. • A structured accreditation and review process is in place to monitor and manage the performance of third party distributors, freight forwarders, fine distribution partners and key suppliers of goods and services.

Risk management continued

Risk indicator	Mitigation of risk
Operational risk (continued)	
Effective management of product and market diversity	• Each operation is supported by a resident regulatory structure. • Products are registered in every market into which the product is sold. • The manufacturing facilities are accredited by every territory into which manufactured products are sold. • Aspen's International businesses are managed by locally sourced and/or experienced managers and executives who have a thorough understanding of the relevant market and regulatory environment. • A thorough understanding of each market is obtained prior to distribution of products into that market. • Third party distributors or agents are used for distribution into complex markets where Aspen does not have an owned operation.
Financial risk	
Effectiveness of corporate finance activities	• A Group Finance Officer is responsible for leading the co-ordination of financial reporting activities across the Group, integrating financial requirements of commercial strategies and for monitoring the adequacy of Group financial control systems. • Due diligence and valuations processes supporting corporate transactions are directed from the corporate office by the responsible finance executive under the guidance of the Group Chief Executive and the Deputy Group Chief Executive with detailed work being undertaken by multi-disciplinary regional teams and consultants. • Group insurance is also conducted as part of corporate finance activities.
Effective and independent assessment of Group internal controls	• The Group's Internal Audit Department is managed by an independent Group Chief Audit Executive who reports to the Audit Committee. • All businesses in the Group are subject to internal audit reviews in accordance with a three-year audit plan. • Results of audit activities, assessment of key controls and the status of corrective action plans are reported to the relevant Group executives, regional executives and functional management that were subject to the audit.
Treasury management	• Treasury management forms part of the Group's corporate finance functions. • Group treasury policies are in line with best practice and are reviewed regularly for effectiveness. • The Audit Committee and the Board assess the Group's going concern status and the appropriateness of its capital structure each quarter. • Forward cover is taken out for confirmed purchase orders in South Africa. • The Group's borrowings requirements are assessed for each investment undertaken and additional debt is structured in accordance with an assessment of the Group's circumstances. • The services of an independent, external consultant is engaged for accurate monitoring of key treasury indices.

Risk indicator	Mitigation of risk
Compliance risk	
Effectiveness of Group legal compliance processes	• The Group Compliance Officer reports regularly to the Board. • A Group-wide compliance programme has been adopted. • Group legal support has been strengthened to support commercial contract management. • External consultants are appointed for specific compliance matters. • Legal experts form part of strategic negotiation processes. • Group compliance management is monitored by the Board.
Responsible corporate citizenship philosophy is in place with reference to economic, social and environmental indicators	• The Group Corporate Citizenship Policy is reviewed annually by the Board. • A dedicated Group Risk and Sustainability Manager has recently been appointed to enhance the Group's alignment to emerging trends in global sustainability reporting best practice. • For a number of years, the Group's CSI initiatives have focused on projects which facilitate increased access to primary healthcare and to the management of HIV/AIDS and TB in South Africa. • External, accredited consultants are appointed, as required, to conduct SHE and environmental management compliance reviews to assess the status of compliance to relevant regulations. • The National SHE Department is dedicated to the development of National SHE standards and compliance requirements in South Africa. A similar structure is being considered for the International businesses.
Effectiveness of Group regulatory compliance processes	• Group regulatory resources have been increased to ensure that adequate regulatory support exists in an expanded business. • Regulatory authorities conduct audits at manufacturing facilities to validate regulatory compliance with relevant authorities. • Significant investment has been made to upgrade manufacturing facilities in South Africa and East Africa to enhance GMP compliance. • Controls are in place to ensure manufacture and supply of products in accordance with the registered dossier. • Pharmacists supervise the manufacture of each batch produced, tested and released at every facility. • A customer care line is in place to monitor product efficacy. • A dedicated Medical Hotline is in place for healthcare professionals. • Product and generics awareness sessions are conducted with key customer groups to disseminate relevant information specific to distributed products and to the underlying manufacturing process. • Products undergo the necessary stability and/or bioequivalence tests prior to registration. • The manufacturing process is tested and validated prior to product registration.

Board of directors

1. Stephen Bradley Saad – (47)

CA(SA)

Appointed: January 1999
Classification: Executive director; Group Chief Executive

A founder of Aspen, Stephen is the Group Chief Executive of the Aspen Group. He is also the Chairman of the Transformation Committee.

2. Michael Guy (Gus) Attridge – (50)

CA(SA)

Appointed: January 1999
Classification: Executive director; Deputy Group Chief Executive

A founder of Aspen, Gus is the Deputy Group Chief Executive of the Aspen Group. He is also a member of the Transformation Committee and attends meetings of all of the other Board committees by invitation. Gus also fulfils the role of Financial Director.

3. Nobuhle Judith (Judy) Dlamini – (51)

MBChB, DOH, MBA (Wits)

Appointed: July 2005
Classification: Non-executive; Chairman of the Board

A medical doctor by profession, Judy spent some 10 years in practice prior to attaining her MBA and making the full-time move to the corporate sector.

Judy is a shareholder and non-executive director of Imithi Investments (Pty) Ltd, Aspen's black economic empowerment shareholder. She is currently the Managing Director and Executive Chairman of Mbekani Health & Wellbeing (Pty) Ltd and Chairman of Masibulele Pharmaceuticals (Pty) Ltd. Her other non-executive directorships include Northam Platinum Ltd and Eyomhlaba Investment Holdings Ltd. Judy is also a trustee and founder of Mkhiwa Trust, a family trust for rural development and education of previously disadvantaged individuals, and a member of the South African National AIDS Council.

Judy was appointed as Chairman of the Board in November 2007. She is a member of the Remuneration & Nomination, Transformation and Risk & Sustainability committees.

4. Roy Cecil Andersen – (62)

CA(SA), CPA (Texas)

Appointed: August 2008
Classification: Lead Independent Non-executive

Roy is a Chartered Accountant with extensive experience in various industry sectors, both locally and abroad. He was previously Chairman and Chief Executive Officer of Ernst & Young, of the Liberty Group Ltd and a former President of JSE Ltd.

Roy is currently Chairman of Murray & Roberts Holdings Ltd, as well as non-executive director of Virgin Active (UK), Nampak Ltd, SASFIN Ltd and a director of Business Against Crime. He is a member of the King Committee on Corporate Governance.

Roy serves as Lead Independent Non-executive Director and is the Chairman of the Remuneration & Nomination Committee and a member of the Audit Committee.

5. Mogammed Rafique Bagus – (47)

BA, BA (Hons) (Economics), MA

Appointed: March 2003
Classification: Independent Non-executive

Rafique is currently the Chief Executive of Morning-tide Investments. He was previously the Chief Executive of Trade and Investment South Africa, a division of the Department of Trade and Industry, Deputy Director General of the Department of Trade and Industry, and Special Adviser to the Minister of Public Enterprises.

Rafique is the Chairman of the Risk & Sustainability Committee and a member of the Transformation Committee.

6. John Frederick Buchanan – (67)

CA(SA), BTh, EDP (Columbia)

Appointed: May 2002
Classification: Independent Non-executive

John brings vast experience to the Board having held a number of executive positions with leading South African companies. He was previously the Group Finance Director of Metal Box (South Africa) Ltd and Cadbury Schweppes (South Africa) Ltd, as well as a past executive director of Nampak Ltd.

In addition to his non-executive directorship of Aspen, he chairs the Audit Committee and is a member of both the Risk & Sustainability Committee and the Remuneration & Nomination Committee.

7. Shah Abbas Hussain – (46)

BSc (Hons)

Appointed: December 2009
Classification: Non-executive

Abbas has worked extensively in the global pharmaceutical industry holding a number of senior executive positions in companies internationally. He is currently the President: Emerging Markets/Asia Pacific of GSK. Abbas also sits on the board of Viiv Healthcare (UK), a global specialist HIV company.
Abbas was appointed to the Board of Aspen following the series of transactions concluded with GSK in December 2009.

8. Christopher (Chris) Nattle Mortimer – (50)
BA, LLB

Appointed: January 1999
Classification: Non-executive

Chris has been a full-time practising attorney since 1988 and has extensive commercial experience. As Chris' firm is intermittently called upon to provide legal advice to the Group, he is classified as a non-independent non-executive director.

9. David Morris Nurek – (61)
Dip Law, Grad Dip Company Law

Appointed: July 2001
Classification: Non-executive

David practised as a commercial attorney for many years before taking up a post as an executive of Investec Bank Ltd. He is a director of various companies within the Investec Group.

David currently chairs the boards of Foschini Group Ltd, Clicks Group Ltd, the Distell Group Ltd and the Lewis Group Ltd. His other non-executive directorships include Trencor Ltd and Sun International Ltd.

David serves on the Risk & Sustainability Committee.

10. Sindiswa (Sindi) Victoria Zilwa – (44)
CA(SA), BCompt (Hons), CTA, Advanced Taxation Certificate, CFP, Advanced Diploma in Financial Planning and Advanced Diploma in Banking

Appointed: September 2006
Classification: Independent Non-executive

Sindi is the Chief Executive Officer of Nkonki Chartered Accountants. She was previously a non-executive director of Strate Ltd, ACSA Ltd and Primedia Ltd. Sindi currently serves as a non-executive director of Discovery Holdings Ltd and Woolworths Holdings Ltd and is a member of the South African Institute of Chartered Accountants.

Sindi is a member of the Audit and Transformation committees.

COMPANY SECRETARY

Hymie Aaron Shapiro – (56)
CA(SA), HDip Tax Law

Appointed: 1999

Corporate governance statement

Corporate governance includes the structures, processes and practices that the Board of Directors use to direct and manage operations of Aspen or the Group.

The Board is accountable to shareholders and other stakeholders and is ultimately responsible for the implementation of sound corporate governance practices throughout the Group. Aspen's Board of Directors is committed to ensuring that the Group adheres to high standards of corporate governance in the conduct of its business.

In an environment of increasing regulatory pressure, the Board is ever mindful of the need to maintain an appropriate balance between the governance expectations of investors, regulators, government and other stakeholders, and the market demands that the Group deliver competitive financial returns to its shareholders.

Governance in the Group extends beyond mere legislative and regulatory compliance and management strives to entrench an enterprise-wide culture of good governance aimed at ensuring that decisions are taken in a transparent manner, within an ethical framework that promotes the responsible consideration of all stakeholders, while also holding decision-makers appropriately accountable. In line with the philosophy that good corporate governance is an evolving discipline, governance structures, practices and processes are actively monitored and revised from time-to-time to reflect best practice.

IMPLEMENTATION OF KING III AND THE NEW COMPANIES ACT

The implementation of King III during the current financial year, together with the implementation of the new South African Companies Act, 2008 ("Companies Act") from 1 May 2011, required the Group to undertake a review of prevailing corporate governance practices in the form of a comprehensive "gap analysis" which enabled the identification of areas of non-compliance. The most material areas of non- or under-compliance identified in this process were:

- disclosure of executive remuneration;
- enhanced reporting relating to sustainability issues;
- the implementation of information technology governance procedures; and
- shareholder consideration of the Group's Remuneration Policy.

As a result of this process, the annual work plans of the Board and the Board committees were revised to ensure that, where relevant, responsibility for the implementation of corrective action has been vested with a clearly identified forum to be dealt with at any one or more particular meeting in its annual calendar of events. So for example, the Group has developed a Remuneration Policy which will be tabled for an advisory vote of shareholders at the annual general meeting on 1 December 2011.

A number of the gaps identified, for instance the disclosure of executive remuneration and the enhanced sustainability reporting, are also addressed in this Annual Report. A full analysis of the Group's current compliance with King III is included on page 74 of this Annual Report.

Statement of Governance Compliance

The directors are of the opinion that, save as specifically disclosed in this report on page 74 referred to above, the Group has complied, in all material respects with the requirements of King III and the corporate governance provisions prescribed by the JSE Listings Requirements.

Highlights of significant governance changes

As indicated earlier, the Group's corporate governance practices are reviewed on an ongoing basis to ensure alignment with internal developments and to ensure ongoing adherence to legislation, regulation and global governance trends. The following enhancements were made to the Group's governance framework during the reporting period:

- reviewing the Board Charter, Terms of Reference of the Board committees and relevant Group policies and procedures in light of the King III requirements and implementing amendments where necessary;
- adoption of revised work plans for the Board and all of the Board committees based on the updated Charter and Terms of Reference; and
- evaluations of the Board, its committees, Chairman, Group Chief Executive and non-executive directors.

THE BOARD OF DIRECTORS

Aspen is led by a unitary Board of directors, currently constituted as required in terms of the Companies Act, and the Company's Memorandum and Articles of Association. Following the implementation of the Companies Act with effect from 1 May 2011, the structure and composition of the Board has been reviewed to determine whether any changes are required to bring it into line with the requirements of the Companies Act. As a result, the Group will be looking to bolster the number of independent non-executive directors.

Board composition, appointment and independence of non-executive directors

The Board currently comprises 10 directors, of whom two are executive directors and the remainder are non-executives. Four of these are considered independent non-executive directors within the criteria determined by King III.

The composition of the Board ensures that there is a balance of power and authority in decision-making processes. Non-executive directors are appointed by the Board in terms of a formally documented and transparent process which takes place under the guidance of the Remuneration & Nomination Committee. Non-executive directors are selected on the basis of their skills, business experience, reputation and qualifications. Gender and racial diversity is also considered in the appointment of new directors. The non-executive directors collectively bring a wealth of skills, knowledge and experience from their own fields of business to the Board, ensuring that the Board's consideration of matters of strategy, policy and performance are always robust, informed and constructive. The terms and conditions of appointment of each of the non-executive directors are contained in a letter of appointment which, together with the Board Charter, forms the basis of the director's appointment. The Remuneration & Nomination Committee is responsible for making recommendation to the Board for the identification and removal of underperforming or unsuitable directors, should this prove necessary.

In terms of the Company's Memorandum and Articles of Association, one-third of the non-executive directors retire by rotation at each annual general meeting. Directors who retire may, if eligible, offer themselves for re-election. The names of the directors who retire by rotation at the next annual general meeting appear in the notice of annual general meeting on page 279 of this report. The re-election of retiring directors by shareholders is subject to a recommendation by the Remuneration & Nomination Committee, following an evaluation of those directors' performance. Directors who may be appointed during a reporting period must have their appointments ratified at the next annual general meeting.

Non-executive directors have no fixed term of appointment, however, the Board Charter provides for the automatic retirement of a director at the age of 70. At the Board's discretion, the retiring director may thereafter be invited to serve as a non-executive director on a year-on-year basis. There are no fixed term service contracts in place for the executive directors and their tenure is subject to the normal terms and conditions on which the Company appoints members of senior management.

The fees of the non-executive directors are independent of the Group's financial performance. In line with the recommendations of King III, the fees payable to the non-executive directors were approved by a resolution of Aspen's shareholders at the Company's annual general meeting in November 2010. Pursuant to the implementation of the Companies Act, approval will be sought by special resolution for the payment of non-executive directors' fees for the 2012 financial year at the annual general meeting due to be held on 1 December 2011.

The independence of the non-executive directors is tested on a regular basis to ensure that there is no business or other, relationships which could materially interfere with a director's capacity to act independently. At least once annually, Aspen actively solicits details of its directors' interests in the Group, their external shareholdings and other directorships so as to determine whether there are any actual or potential conflicts of interest. A register containing the directors' declarations of interest is kept by the Company Secretary and is available for inspection by any of the directors on request. In addition, the agenda at each scheduled Board meeting allows the Board to consider any conflicts arising from changes to the directors' declarations of interests. The Board has satisfied itself that no relationships exist which could adversely affect the classification of its independent non-executive directors, and accordingly that the classification of each of the directors is appropriate. The independence of John Buchanan was independently assessed by the remaining members of the Remuneration & Nomination Committee, due to his having served on the Board of Aspen for nine years. This assessment concluded that there is no question of his ongoing qualification as an independent non-executive director. A brief *curriculum vitae*, and the classification of each director, appears on pages 64 and 65 of this report.

Director induction, training and access to information

Newly appointed directors are required to participate in an induction programme co-ordinated by the Chairman together with the Company Secretary. In addition to providing an orientation in respect of the Group's operations, directors are guided in their fiduciary duties, provided with information relating to the relevant statutory and regulatory frameworks and introduced to key members of management. The programme also makes directors aware of relevant policies such as those relating to dealing in the Company's securities, the duty to declare conflicts of interest and the Company's Code of Conduct.

The Company Secretary is also responsible for ensuring that directors are kept abreast of relevant legislative and regulatory developments as well as significant information impacting the Group's operating environment. Training sessions for non-executive directors are held regularly, with a total of nine sessions held during the year. These sessions are presented by senior management or subject experts and are designed to keep directors updated of developments in the Group and the territories in which it operates as well as other relevant matters.

To facilitate the proper functioning of the Board, all directors have unrestricted access to all Group information, records, documents and facilities through the office of the Company Secretary. In addition, non-executive directors have unrestricted access to members of management and, where appropriate, are entitled to access the external auditors without members of management being present. Directors, after discussion with the Chairman, may also seek independent professional advice at the Group's expense should they deem it necessary for the proper execution of their directorial role.

Board mandate

A formally documented and approved Board Charter outlines the composition, scope of authority, responsibilities, powers and functioning of the Board. The Board Charter is reviewed at least once annually to ensure that it remains relevant, appropriate and in line with governance best practice. The key responsibilities of the Board include:

- to approve and review the strategic direction of the Group and monitor the execution of strategic plans;
- to approve and oversee major capital expenditure, acquisitions and disposals;

Corporate governance statement continued

- to consider financial reports and to review and approve annual budgets and business plans;
- to monitor the financial performance of the Group and to approve annual and interim financial reports and dividends;
- to identify and monitor key risk areas;
- to review risk management strategies and ensure the implementation of effective internal controls;
- to approve the appointment and replacement, where necessary, of the Group Chief Executive and other senior executives and to oversee succession planning;
- to approve the nomination of directors and to monitor the performance of all the directors, including the Chairman and the Group Chief Executive;
- to make decisions on key issues or matters at levels deemed material to the Group and to delegate authority for the day-to-day running of the business of the Group to management; and
- to identify and oversee the Group's communication with key stakeholders.

Board leadership

The Chairman of the Board is appointed by the directors, annually after each annual general meeting of shareholders, and remains in office for a period of one year at a time. The Chairman is absent during the discussion of, and the vote on, her reappointment.

The Board is currently led by Judy Dlamini, a non-executive director. In line with the recommendations of King III, the Board has appointed Roy Andersen as the Lead Independent Director to act in instances where the Chairman may have a conflict of interest. As with the chairmanship, the appointment of the Lead Independent Director is made by the Board annually, after each annual general meeting. Both the Chairman and the Lead Independent Director have formally mandated roles and responsibilities and are subject to an annual evaluation of their performance.

The roles of the Chairman of the Board and the Group Chief Executive are separate and clearly defined, such that no one individual director has unfettered powers of decision-making.

Succession planning

The Board has delegated succession planning for the Group Chief Executive, Deputy Group Chief Executive and senior executives to the Remuneration & Nomination Committee with direct input, as appropriate, from the Chairman and the Group Chief Executive. Succession plans are integrated into the key performance areas at management and executive levels and reported to the Board twice each year.

Board meetings

The Board meets at least once every quarter. Additional meetings may be convened to discuss specific issues which arise between scheduled Board meetings. The Board compiles an annual work plan to ensure all relevant matters for Board consideration are prioritised, included on the agenda and addressed at the appropriate time. Five meetings were held in the year under review. A table showing the attendance by directors at Board and Board Committee meetings is set out on page 73 of this report.

Board meetings are convened by formal notice to the directors. There are comprehensive management reporting disciplines in place with strategic, financial, operational, risk and governance reports tabled. A Board pack, containing detailed proposals and management reports, is distributed by the Company Secretary to all directors in a timely manner in advance of scheduled meetings, and directors are afforded ample opportunity to study the material presented and to request additional information from management where necessary.

Decisions taken at Board meetings are decided by a majority of votes, with each director having one vote. Where resolutions need to be taken between Board meetings, a written proposal is circulated to, and requires signature by all directors to be valid. A resolution passed in this manner is effective as at the date of signature of the last-signing of the directors and is formally noted at the next Board meeting.

Board committees

The Board has established the following Board committees, each with specific Terms of Reference, to assist it in the execution of its role:

- Audit
- Risk & Sustainability
- Remuneration & Nomination
- Transformation

Composition of the Board and its committees is as follows:

Audit Committee
Roy Andersen
John Buchanan*
Sindi Zilwa

Remuneration & Nomination Committee
Roy Andersen*
John Buchanan
Judy Dlamini

Board of Directors

Roy Andersen	Lead Independent Non-executive
Gus Attridge	Deputy Group Chief Executive
Rafique Bagus	Independent Non-executive
John Buchanan	Independent Non-executive
Judy Dlamini	Chairman, Non-executive
Abbas Hussain	Non-executive
Chris Mortimer	Non-executive
David Nurek	Non-executive
Stephen Saad	Group Chief Executive
Sindi Zilwa	Independent Non-executive

Risk & Sustainability Committee
Rafique Bagus*
John Buchanan
Judy Dlamini
David Nurek

Transformation Committee
Gus Attridge
Rafique Bagus
Judy Dlamini
Stephen Saad*
Sindi Zilwa

**Committee chairman*

All of the Board committees are constituted in accordance with the recommendations of King III and, with the exception of the Transformation Committee, each is chaired by a non-executive director.

The Terms of Reference of each of the Board committees is approved annually by the Board and specifies the committee's constitution, mandate, relationship and accountability to the Board. The Company Secretary is the secretary to all committees of the Board and assists in ensuring that the committees operate within the limits of their respective mandates, in terms of an agreed annual work plan and that a formal process of reporting is in place.

Regular meetings of the Board's committees are scheduled, in advance, in the Group's corporate calendar. In addition, any of the committees may convene *ad hoc* meetings should the business of the Group so require. A table setting out the number of meetings held by each committee and the directors' attendance at those meetings appears on page 73 of this Annual Report. The Board committees report formally to the Board at each Board meeting following any meeting of a committee.

With the implementation of the Companies Act from May 2011, the constitution of the Audit Committee will be reviewed with the members required to be elected by shareholders at the next annual general meeting.

Detailed reports on the role and performance of each of the Board committees are included on pages 72 to 73 of this Annual Report.

Evaluation of Board performance

An evaluation of the performance of the Board, the Board committees, the Chairman, the Group Chief Executive, the Company Secretary and of each of the individual directors is conducted annually. The evaluations carried out in 2011 focused on:

- the effectiveness of Board composition, governance processes and procedures;
- the effectiveness of the Board committees in discharging their respective mandates;
- the effectiveness of the Chairman of the Board in her role as Chairman;
- the effectiveness and contributions of each of the directors;
- the effectiveness of the Group Chief Executive; and
- the effectiveness of the Company Secretary.

The evaluations were designed to gain an insight into how each of the directors of the Board believes the Board is meeting its objectives. The evaluations provided guidelines for evaluating the Board's effectiveness and focused on areas where the Board's performance may possibly be enhanced or improved, as well as assessing the individual contributions of the directors.

Responses were collated by the Company Secretary and reported to the Chairman.

The findings of the evaluation carried out at the end of the 2011 period indicated that the Board believes that:

- through the monthly training sessions, the non-executive directors have a proper understanding of the business as a whole and the key factors and drivers that will determine the success or failure of the Group;
- the directors play a constructive role in testing and refining policies and strategies proposed by management;
- the Board provides a challenging yet supportive environment for management;

Corporate governance statement continued

- the Board committees were found to be properly constituted, provide clear and specific guidance to the Board within their respective mandates and assist the Board in its responsibility to ensure the proper governance of the Company and that the chairmen of the committees are effective; and
- the evaluation of the Chairman revealed that she provides effective leadership.

As a result of the evaluation, it was agreed that the Board would be kept appropriately informed of developments between Board meetings, with the introduction of monthly updates commencing in the new financial year.

The Company Secretary

The Company Secretary is also the Group Governance Officer and plays a pivotal role in the corporate governance of the Group. The Company Secretary attends all Board and committee meetings and provides the Board and directors, collectively and individually, with guidance on the execution of their governance role.

All directors have access to the advice and services of the Company Secretary. The Company Secretary is accountable to the Board as a whole.

CORPORATE VALUES AND ETHICS

Aspen's values of *Integrity, Innovation, Excellence, Commitment and Teamwork* are fundamental to its business philosophy and guide the way the Group conducts its business and interacts with all stakeholders.

Aspen's induction programme educates new employees on the ethics, values and the business philosophy of the Group. All new employees are given a copy of, and are required to sign an acceptance of, the Code of Conduct on commencement of their employment with the Group. The Code of Conduct is available to all employees on the Group's intranet and is also contained in the employee handbook.

The Group conducts its business in a highly regulated environment, however, one in which the potential for unethical marketing and promotional practices remains inherent. Aspen endorses the ethical marketing of medicines and subscribes to the rigorous application of the Marketing Code of Practice of the Pharmaceutical Industry Association of South Africa. The Group has a written policy in terms of which employees of the Group, including directors, are prohibited from accepting other than nominal gifts or hospitality or participation in events sponsored by current or prospective customers or suppliers. Any employee who receives a gift or other benefit exceeding the local currency equivalent of USD200 is required to disclose this in writing to the Company Secretary. A Group-wide register of gifts will be maintained by the Company Secretary and will be made available for inspection by the Board or any member of senior management on request.

Political party support

Aspen does not make payments or other contributions to political parties, organisations or their representatives or take part in party politics. Employees are free to participate in the political process in their private capacity provided it does not constitute a breach of the principles set out in the Code of Conduct and/or the relevant employee's obligations to Aspen under contracts of employment and does not negatively influence their productivity or the credibility of the Group.

Tip-Offs Anonymous Hotline

Aspen endeavours to promote a culture of openness and transparency throughout the Group and employees and other stakeholders are encouraged to report unethical and other transgressions of which they become aware. The Group has an independently operated, toll-free ethics hotline to which reports may be made anonymously. During the year, this hotline was extended to include other territories in which the Group operates. Further information on the ethics hotline, Tip-Offs Anonymous, appears in the separate report of the Audit Committee on page 78.

Conflicts of Interest

The Board has adopted formal policies to regulate conflicts of interest and trading in the Company's securities. The latter policy, which incorporates the requirements of the JSE Listings Requirements and the Securities Services Act, 2004 (as amended), prohibits any trade in the Company's shares by any director or employee of the Group during a closed period. The Group currently has two formal closed periods, commencing 24 hours prior to the close of the interim reporting period (31 December) and the financial year-end (30 June) up to the end of 24 hours after the respective results announcement is made. In addition, the Group may declare other closed periods or restrict dealing in the Company's shares at any other time if directors and employees have access to potentially price-sensitive information which is not in the public domain.

At all other times, directors (including directors of any subsidiary) and the Company Secretary may only trade with prior written approval from the Chairman. Such approval is sought and co-ordinated through the office of the Company Secretary. An announcement of all directors' share dealings is published in compliance with the JSE Listings Requirements.

HUMAN RIGHTS

Aspen's Code of Conduct requires all employees and others to be treated with fairness, equality and respect to foster an open, transparent, progressive and trusting environment which is free from prejudice, discrimination, bias, harassment and/or violation. The reference to discrimination includes gender, race, physical health, sexual orientation and/or belief systems. All employees sign the Code of Conduct.

Suppliers and service providers are required to sign the Ethical Standards and Human Rights Undertaking which is contained in all new supplier and service provider contracts. In signing this document, signatories warrant that:
- they do not use or engage in child labour;
- no forced labour is used;
- a safe and healthy workplace is provided for employees;
- employees are not discriminated against;
- no corporal punishment, any form of abuse nor cruelty is applied nor supported;
- each employee is paid at least a minimum wage or a fair representation of the prevailing industry wage;

- all laws on working hours and employment rights relevant to the business are complied with; and
- employees are free to join and form independent trade unions and have the freedom of association.

In accordance with BBBEE Codes in South Africa, Aspen's Transformation Policy promotes employment equity and the provision of advancement opportunities to historically disadvantaged individuals. During the year, no incidents of discrimination were identified in the Group (2010: zero).

Aspen's employees are free to belong to employee trade unions and collective bargaining groups. In South Africa 29% of Aspen's permanent employees belong to CEPPWAWU – a strategic Black Economic Empowerment shareholder in the Group. Approximately 1% of employees belong to the South African Chemical Workers' Union. All employees at the pharmaceutical sites in South Africa are affiliated to the National Bargaining Council for the Chemical Industry.

In East Africa, 26% of Aspen's permanent employees are members of the trade union and approximately 90% of employees are members of the collective bargaining unit, excluding directors and expatriates.

At Aspen Bad Oldesloe, membership of the trade union is a voluntary decision made by each employee. It is estimated that approximately 30% of staff belong to the German Chemical Industry Trade Union.

At Aspen Brazil, 100% of the employees belong to Sinfar or Traquimfar trade unions. At Aspen Mexico, 16% of the current employee base is unionised. Working conditions, remuneration and benefits are subject to a collective labour agreement which is reviewed annually. There are no unionised members at Aspen Venezuela. A Council of Representatives, elected by the employees, meets on a regular basis on matters impacting employee welfare. Furthermore, an employee representative body negotiates the basic salary, salary increases and other benefits on behalf of employees in the pharmaceutical and allied industry, once validated by the Venezuelan Government. This negotiation process takes place every two to three years.

All material operational changes are communicated to the relevant employee trade unions as and when required within legislated timeframes.

LEGISLATIVE COMPLIANCE

The Board is ultimately responsible for overseeing the Group's compliance with laws, rules, codes and standards in terms of King III. The Board has delegated to management the responsibility for the implementation of an effective legislative compliance framework and processes as envisaged by King III. The Board has considered the compliance framework that has been established by management and has satisfied itself that it is adequate for the requirements of King III. Aspen has appointed a Group Legal Officer who fulfils the function of Group Compliance Officer in providing the Board with assurance that the Group is compliant with applicable laws and regulations. This is an independent, objective assurance and consulting activity designed to give operational effect to the principles of King III.

The Group Compliance Officer's function includes:

- identifying and advising the Group on existing and new legislation applicable to the Group's business in the jurisdictions where it operates companies; and
- developing and implementing the annual Legislative Compliance Audit Plan across the Group.

A Legislative Compliance Policy has been implemented and will be reviewed annually.

Developments in legislation and the implementation of new legislation in jurisdictions where Aspen operates companies is monitored by the Aspen Legal Department. The Group Compliance Officer reports twice per year to the Risk & Sustainability Committee and the Board. The Group Compliance Officer has unrestricted access to management, employees, activities and all information considered necessary for the proper execution of legislative compliance.

Based on the principal laws effective during the year, there are no material areas of non-compliance within the Group. No fines were incurred nor were there any prosecutions of Group companies or directors and officers for failure to comply with any applicable legislation or codes of conduct.

The Group complies with the following non-binding rules, codes and standards on a voluntary basis:

Australia

- Australian Self Medication Industry Association Codes
- Medical Technology Association of Australia Codes, including the Medical Devices Code
- Medicines Australia Code
- Generic Medicines Industry Association Code of Practice

South Africa

Trade associations

Aspen is a voluntary member of the following trade associations:

- Pharmaceuticals Made in South Africa
- Self-Medication Manufacturers Association of South Africa
- The Health Products Association of Southern Africa
- The Infant Feeding Association of South Africa
- Cosmetic, Toiletry & Fragrance Association of South Africa

Food Quality and Safety

- ISO 22000:2008
- BSi PAS220
- ISO 9001
- ISO 17025:2005
- SANS 10049:2011

Industry

- Marketing Code for Medicines (Pharmaceutical Council of South Africa)
- Constitution of Pharmaceuticals Manufactured in South Africa
- Constitution of Self Medication Association of South Africa

Corporate governance statement continued

Regulative
- MCC: Guidelines on Proprietary Names for Medicinal Products
- WHO: Guidance on International Non-proprietary Names

Europe
Aspen Pharma Trading Ltd adheres to:
- Irish Pharmaceutical Healthcare Association Code of Marketing Practice
- European Union directive 2001/83/EC
- Statutory Instrument, S.I of 2007, 2008 and 2009
- Pharmaceutical Price Regulation Scheme (UK)

ENGAGEMENT WITH STAKEHOLDERS
The Board acknowledges it is ultimately responsible for the management of relationships with the Group's major stakeholders. The Board receives formal feedback from management on a quarterly basis as to the nature of interaction with stakeholders.

A summary of engagement with key stakeholders is contained on pages 93 to 97 of this Annual Report.

THE BOARD COMMITTEES
The individual reports of each of the Board committees are set out below.

Audit Committee
The Terms of Reference of the Audit Committee charge the Committee, *inter alia*, with the following responsibilities:
- overseeing of Integrated Reporting, having regard to all factors and risks that may impact the report;
- reviewing of the Annual Financial Statements and comment thereon in the Integrated Report;
- expressing a formal opinion on the Company's going concern status in the Integrated Report;
- ensuring that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities;
- reviewing the expertise, resources and experience of the Group's finance function and disclosing the results of the review in the Integrated Report;
- overseeing the internal audit function of the Group;
- playing an integral part in the risk management process;
- recommending the external auditors and overseeing the external audit process; and
- reporting to the Group's stakeholders and the Board on the effectiveness of the Group's internal financial controls.

Refer to the Report of the Audit Committee contained on pages 76 to 78 of this Annual Report for the effectiveness of the internal audit function, activities of the Audit Committee and discharge of the Audit Committee's responsibility in respect of its review of controls.

Risk & Sustainability Committee
The Risk & Sustainability Committee ensures the integration of risk management and sustainability factors into the Group's overall corporate governance practices. The Committee is chaired by Rafique Bagus, an independent non-executive director. Its members are Judy Dlamini, the Chairman of the Board, David Nurek, a non-executive director and John Buchanan, the Chairman of the Audit Committee. The Board is satisfied that the composition of the Committee allows the Board to ensure that issues affecting both the Audit and Risk & Sustainability committees are dealt with and, if necessary, deferred to the most appropriate of the committees.

The Committee's current Terms of Reference require that the Committee:
- ensures the development, implementation, monitoring and regular review of an effective Risk Management Policy throughout the Group;
- ensures continuous identification and assessment of risks and ensures that management considers and implements appropriate risk responses in accordance with the approved Risk Management Policy;
- assesses the key sustainability performance measures of the Group, taking consideration of all relevant economic, environmental and social factors and ensures the implementation of a Sustainability Policy for Board approval;
- ensures timely comprehensive reporting to the Board of sustainability issues; and
- takes responsibility for ensuring that the risk and sustainability factors disclosed in the Group's Annual Report are relevant, reliable, complete and accurate.

During the year under review, the Committee oversaw the development of, and the approval by the Board of, a Group Risk Policy and a Stakeholder Engagement Policy. A Group Risk and Sustainability Manager has been appointed to oversee the risk management process and to provide training to executive management of each operating division relating to risk identification and mitigation. Assurance in respect of the integrity of the risk management process and the efficacy of risk mitigation controls is provided by the Group internal audit function on an annual basis. Further details of this process are set out in the report of the Audit Committee on page 78 of this Annual Report. The Committee considered and approved key performance indicators of sustainability which are reported on page 8 of the Integrated Report. Key issues arising from Risk & Sustainability Committee meetings are brought to the attention of the Audit Committee by John Buchanan, who chairs the Audit Committee and is also a member of the Risk & Sustainability Committee.

Transformation Committee
The Transformation Committee is chaired by the Group Chief Executive, Stephen Saad. Its other members are Judy Dlamini, Sindi Zilwa, Rafique Bagus and Gus Attridge.

The Transformation Committee is tasked to assist the Board in the following areas:
- recommending overall empowerment targets and strategies for the South African business operations of the Group;
- directing and monitoring compliance with BBBEE legislation and overseeing the development and implementation of diversity management programmes; and
- ensuring that budgets set are realistic and sufficient to allow the Group to achieve its empowerment objectives.

The Committee had previously identified enterprise development, socio-economic development and skills development as areas of the BBBEE scorecard requiring attention. In this regard, the Committee is pleased to report that the following milestones were reached during the year under review:

- extensive progress was made in respect of enterprise development which will increase the Group's rating score in terms of the BBBEE scorecard;
- attention is also being given to the training of previously disadvantaged employees at higher levels of management; and
- a list of critical and core skills is being identified and training initiated to reduce skills development gaps.

Further details on the activities of the Committee appear in the Transformation Report included on page 86 of this Annual Report.

Remuneration & Nomination Committee

The Remuneration & Nomination Committee is chaired by Roy Andersen, the Lead Independent Director. Its other members are Judy Dlamini, the Chairman of the Board, and John Buchanan, an independent non-executive director. The Board has satisfied itself that all members of the Committee have the skills necessary to carry out their obligations under the Committee's Terms of Reference.

Pursuant to its current Terms of Reference, which are reviewed annually, the Committee is responsible, *inter alia,* for:

- ensuring a formal process for the identification and recommendation to the Board of appropriately qualified candidates to serve as Board and/or committee members, overseeing the Board induction process and the regular training and development of directors;
- monitoring the annual evaluation of the Board's and executive directors' performance, and, where required, assisting in the development or removal of under- or non-performing directors;
- overseeing the process of succession planning for the executive directors and other key executives throughout the Group;
- ensuring that the Group Remuneration Policy and practices, including the parameters of fixed and variable remuneration, increases, and that bonuses are fair, appropriate and market related and that they reward and recognise individual contributions to the overall achievement of the Group's strategic objectives;
- ensuring that all benefits, including retirement benefits and other financial arrangements, are justified and correctly valued; and
- determining performance targets for the Group Chief Executive and Deputy Group Chief Executive.

In line with the recommendations of King III, the Committee has supervised the development of a Group-wide Remuneration Policy which will be submitted to a vote by shareholders at the annual general meeting on 1 December 2011. Persuant to the recommendations in King III, Aspen will canvass shareholder opinion in respect of this policy by way of a non-binding advisory vote only.

The Remuneration Report of the Group is set out in this report on page 79.

GOING CONCERN

The Annual Financial Statements contained in this Annual Report have been prepared on the going concern basis. The Board has considered:

- the appropriateness of the capital structure, funding and liquidity ratios of the Group, given the nature of the Group's business and operations;
- the Group's continued ability to meet the solvency and liquidity requirements as set out in section 4 of the Companies Act; and
- the appropriateness of the going concern basis of reporting the Group's results, and its likely continuing appropriateness in the ensuing 12 months.

DIRECTORS' ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

The table below sets out the attendance by the directors at the Board and committee meetings held during the reporting period:

Director	Board (5 meetings, including 1 strategic meeting)	Audit Committee (5 meetings)	Risk & Sustainability Committee (3 meetings)	Remuneration & Nomination Committee (3 meetings)	Transformation Committee (2 meetings)
Roy Andersen	5	5	n/a	3	n/a
Gus Attridge	5	5*	3	3*	2
Rafique Bagus	5	n/a	3	n/a	2
John Buchanan	5	5	2	3	n/a
Judy Dlamini	5	n/a	3	3	2
Abbas Hussain	4	n/a	n/a	n/a	n/a
Chris Mortimer	5	n/a	n/a	n/a	n/a
David Nurek	5	n/a	3	n/a	n/a
Stephen Saad	5	n/a	n/a	3*	2
Sindi Zilwa	5	4	n/a	n/a	2

** Executive directors attend meetings of the Audit and Remuneration & Nomination committees by invitation only.*

Corporate governance statement continued

KING III GAP ANALYSIS

The Board has committed extensive amounts of time to reviewing and enhancing the Group's governance structures and activities since the publication of the King III report. As required by the JSE Listings Requirements, the following table discloses the areas in which the Group does not currently fully comply with King III, the reasons for such non-compliance and any corrective measures that the Board has agreed to institute in that regard.

Key to compliance level:
† Under review ‡ Partially compliant/mitigated × Non-compliant

KING III REQUIREMENT		COMMENT
Chapter 1 – Ethical leadership and corporate citizenship		
Establishment of a social and ethics committee.	†	It is intended that a social and ethics committee be established before 1 April 2012, when such committee becomes mandatory in terms of the Companies Act. The functions of this committee are currently being addressed where appropriate, by other committees.
Management (having been delegated this task by the Board) has set up a well-designed and properly implemented ethics management process/programme.	‡	Management has addressed all of the material areas relating to ethics management. This will be consolidated through a programme under the direction of the social and ethics committee once established.
Assessment of the ethics risks and opportunities and compilation of an ethics risk profile.	‡	This has been deferred until the establishment of the social and ethics committee.
Establishment of policies that will guide every level of the business in terms of expected behaviours and practices with reference to interaction with all material stakeholders.	†	A Code of Conduct is in place. Consideration will be given to the further expansion of the Stakeholder Engagement Policy.
Measurement of the impact, or lack thereof, of its CSI programme.	‡	Assessment is conducted on a subjective basis.
Chapter 2 – Boards and directors		
The Chairman of the Board is an independent non-executive director.	‡	The members of the Board have elected the non-executive director they consider most appropriate to chair the Board as Chairman. A lead independent director has been appointed.
Succession planning in place for the position of the Chairman.	‡	This will be considered by the Remuneration & Nomination Committee. The lead independent director will assume the role of Chairman in the Chairman's absence.
Appointment by the Board of the Chief Executive and input on senior management appointments.	‡	The Group Chief Executive is appointed by the Board but specified senior executive appointments are approved by the Remuneration & Nomination Committee. The Board is kept informed of these appointments.
The Board comprises a majority of non-executive directors, the majority of whom are independent.	†	There is a majority of non-executive directors. There are presently four independent non-executive directors and four non-executive directors. Upon the impending retirement of David Nurek, there will be a majority of independent non-executive directors.
The Board has established an Audit Committee and defined its composition, purpose and duties in the memorandum of incorporation.	†	This is currently regulated by the Audit Committee Terms of Reference. It is intended to formulate the memorandum of incorporation prior to 1 April 2013, the date by which this is required in terms of the Companies Act. This is under review.
Board committees (other than the Risk Committee) comprise only members of the Board, have a majority of non-executive directors, the majority of whom are independent and have an independent non-executive director as chair.	‡	The Transformation Committee does not have a majority independent non-executive directors or an independent non-executive director as Chairman. The Transformation Committee is chaired by the Group Chief Executive as an indication of his commitment to this work and all interested non-executive directors are invited to be members of this Committee.
Chapter 3 – Audit committees		
Recommend to the Board to engage an external assurance provider to provide assurance over material elements of the sustainability part of the Integrated Report.	†	At this stage of the development of the Integrated Report, it has been decided to rely upon internal sources of assurance.
Preparation of a summarised Integrated Report in addition to the complete Integrated Report.	×	It has been decided not to produce a summarised Integrated Report as is permitted by the Companies Act.

KING III REQUIREMENT		COMMENT
Chapter 4 – The governance of risk		
Accountability to the Board regarding the execution of the risk management process lies with the Group Chief Executive.	‡	Accountability lies with the Deputy Group Chief Executive.
Specific limits regarding the levels of risk that the Group is able to tolerate are set by the Board at least once a year.	‡	Risk limits are set at least once a year based upon a range of tolerance.
Chapter 5 – The governance of information technology		
Management is in a position to provide the Board with demonstrable evidence that adequate disaster recovery arrangements are in place.	‡	A full formal disaster recovery plan is in place for the Group's material enterprise resource planning systems, which is regularly tested. The disaster recovery plans for all affiliates will be reviewed as part of the roll-out of the IT Governance Charter towards the end of the calendar year. A risk-based disaster-recovery strategy will be implemented that will integrate into the Business Continuity Plans of each affiliate.
Formal processes are in place to manage information that encompasses protection of information, management of information and protection of personal information processed.	†	Normal security procedures are in place. Information is managed according to business requirements and personal information is identified on the system where it resides. As part of the roll-out of the Information Security Management System an Information Classification Framework will be implemented for each affiliate.
Ensure the Information Security Management System is developed, implemented and recorded.	†	An information security policy exists, but a formalised Information Security Management System needs to be implemented. The implementation of the Information Security Management System for the South African affiliates is currently in progress and will be completed by March 2012. This template will be rolled out to the other affiliates.
Chapter 7 – Internal audit		
The Chief Audit Executive is apprised formally on the strategy and performance of the Company through meetings with Chairman, Group Chief Executive or both.	‡	The Chief Audit Executive's channel of communication is with the Deputy Group Chief Executive.
Chapter 8 – Governing stakeholder relationships		
The Board has adopted communication guidelines that support a responsible communication programme, which defines the responsibilities of the Board and management in regard to stakeholder communication.	†	A communication plan has been developed. Further guidelines are under consideration.
Chapter 9 – Integrated reporting and disclosure		
The Annual Financial Statements are included in the Integrated Report.	‡	Aspects of the Annual Financial Statements are included in the Integrated Report. The full Annual Financial Statements are included in the Annual Report, comprising the Integrated Report, the Sustainability Report, the Annual Financial Statements and Shareholders' Information.
A formal process of assurance with regard to sustainability reporting has been established.	‡	At this stage in the evolution of the Group's sustainability reporting, reliance is placed on internal assurance.

Corporate governance statement continued

AUDIT COMMITTEE REPORT

The information below constitutes the report of the Audit Committee in respect of the financial year ended 30 June 2011.

Audit Committee Terms of Reference

The Audit Committee has adopted formal Terms of Reference as incorporated in the Board Charter which has been approved by the Board of Directors. The Terms of Reference is reviewed annually and was revised and approved by the Board on 3 March 2011. The Committee has conducted its affairs in compliance with these Terms of Reference and has discharged its responsibilities contained therein.

Audit Committee members and attendance at meetings

The Audit Committee is constituted as a statutory committee and has an independent role with accountability to both the Board and shareholders. In compliance with the recommendations of King III, the Audit Committee consists of three independent, non-executive directors selected by the Board on the recommendation of the Remuneration & Nomination Committee. The Board elects the Chairman of the Audit Committee.

The Chairman of the Board, Deputy Group Chief Executive, Group Finance Officer, Chief Audit Executive, Company Secretary and representatives of the internal and external auditors attend meetings by invitation. From time-to-time other executives of the Group attend meetings of the Audit Committee as requested. The Committee has unrestricted access to the external and internal auditors.

In accordance with the Terms of Reference, the Committee meets at least four times annually, but more often if necessary. During the current financial year, the Committee met five times. The minutes of these meetings are included in the quarterly Board papers. The Chairman of the Committee provides the Board with a verbal report of the Committee's activities at each Board meeting. A table of attendance at Audit Committee meetings held during the year is set out on page 73 of this Annual Report.

The Chairman of the Committee represents the Audit Committee at the annual general meeting each year.

The Company Secretary is also the Secretary of the Committee.

The Remuneration & Nomination Committee, through its nomination process, ensures that members are sufficiently qualified and experienced in matters such as financial and sustainability reporting, internal financial controls, external and internal audit processes, corporate law, risk management, financial sustainability issues, IT governance as it relates to integrated reporting and governance processes.

Roles and responsibilities

The Audit Committee has an independent role with accountability to both the Board and shareholders. The Committee does not assume the functions of management, which remain the responsibility of the executive directors, officers and other senior members of management.

The Committee is, *inter alia*, responsible for assisting the Board in discharging its duties in respect of the safeguarding of assets, accounting systems and practices, internal control processes and the preparation of accurate financial statements.

Statutory duties

In the conduct of its duties, the Audit Committee has performed the following statutory duties:

- nominated and recommended the appointment of the external auditor of the Company and the Group who is a registered auditor and who, in the opinion of the Audit Committee, is independent of the Company and the Group;
- determined the fees to be paid to the auditor and the auditor's terms of engagement;
- ensured that the appointment of the auditor complies with the Companies Act, and any other legislation relating to the appointment of the auditor;
- determined the nature and extent of any non-audit services that the auditor may provide to the Group;
- pre-approved any proposed agreement with the auditor for the provision of non-audit services to the Group;
- prepared a report which has been included in the Annual Financial Statements;
- received and dealt with any concerns or complaints relating to the accounting practices and internal audit of the Company and the Group, the content or auditing of the Company's and the Group's Annual Financial Statements, the internal financial controls of the Company and the Group or any related matter; and
- made submissions to the Board on any matter concerning the Company's and the Group's accounting policies, financial control, records and reporting.

External auditor

The Committee has satisfied itself that the external auditor was independent of the Group, as set out in section 94 (8) of the Companies Act as amended, by the Companies Amendment Act, No 3 of 2011, which includes consideration of compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors. Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence.

The Committee, in consultation with executive management, agreed to the engagement letter, terms, audit plan and budgeted audit fees for the financial year ended 30 June 2011.

The external auditors are invited to and attend all Audit Committee meetings and are required to meet independently with the Audit Committee at least annually. Findings by the external auditors arising from their annual statutory audit are tabled and presented at an Audit Committee meeting following the audit. The Committee endorses action plans for management to mitigate noted concerns. The external auditor has expressed an unqualified opinion on the Annual Financial Statements for the year ended 30 June 2011.

There is a formal procedure that governs the process whereby the external auditor is considered for non-audit services. The Committee approved the terms of the service agreement for the provision of non-audit services by the external auditor, and approved the nature and extent of non-audit services that the external auditor provided in terms of the agreed pre-approval policy.

The Committee has nominated, for election at the annual general meeting, PricewaterhouseCoopers Inc. as the external audit firm and Eric Mackeown as the designated auditor responsible for performing the functions of auditor, for the 2012 financial year. The Audit Committee has satisfied itself that the audit firm and designated auditors are accredited as such on the JSE list of auditors and their advisers.

Internal financial controls

During the year, the Group undertook a formal review of the key internal financial controls in operation and documented this review in a formalised financial controls framework. The review was undertaken in all the significant businesses within the Group except for the recently acquired Sigma pharmaceutical business. Due to the timing of the acquisition of the Sigma pharmaceutical business and the transitional operating arrangements with Sigma in the post-acquisition period it proved impractical to cover this business. The key processes for this business will be reviewed and documented during the 2012 financial year once the transitional arrangements have ended and the new IT system has been implemented.

As a compensatory measure, the scope of the external audit in respect of the Sigma pharmaceutical business was extended to include a review of the key internal financial controls in addition to the normal external audit assurances.

Based on the results of the formal documented review of the design, implementation and effectiveness of the Company's system of internal financial controls conducted by Group internal audit, supported by approved outsourced Internal Audit service providers during the 2011 year and, in addition, considering information and explanations given by management and discussions with the external auditor on the results of their audit, nothing has come to the attention of the Audit Committee that caused the Committee to believe that the Group's system of internal financial controls is not effective and does not form a basis for the preparation of reliable Annual Financial Statements.

Expertise and experience of financial director and the finance function

The Audit Committee has considered and is satisfied with the expertise and experience of the Deputy Group Chief Executive who performs the duties of the financial director.

Furthermore, the Committee has considered, and has satisfied itself of, the appropriateness of the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for the finance function.

Annual Financial Statements

The Audit Committee assists the Board with all financial reporting and reviews the Annual Financial Statements as well as the preliminary results announcements and interim financial information.

The Audit Committee has reviewed the Annual Financial Statements of the Company and the Group and is satisfied that they comply with International Financial Reporting Standards ("IFRS").

Going concern

The Audit Committee reviewed a documented assessment by management of the going concern premise of the Group before concluding to the Board that the Group will be a going concern in the foreseeable future.

Duties assigned by the Board

The duties and responsibilities of the members of the Committee are set out in the Audit Committee Terms of Reference included in the Board Charter, which is approved by the Board.

The Audit Committee fulfils an oversight role regarding the Group's Integrated Report and the reporting process, including the system of internal financial control. It is responsible for ensuring that the Group's internal audit function is independent and has the necessary resources, standing and authority within the Group to enable it to discharge its duties. Furthermore, the Audit Committee oversees co-operation between the internal and external auditors.

During the year, the Committee met with the external auditors and with the Chief Audit Executive without management being present. No matters that required attention arose from these meetings.

The Committee ensures that a combined assurance model is applied to provide a co-ordinated approach to all assurance activities.

The Audit Committee is satisfied that it has complied with its legal, regulatory and other responsibilities.

Corporate governance statement continued

AUDIT COMMITTEE REPORT continued

Risk management

The Board has assigned oversight of the Group's risk management function to the Risk & Sustainability Committee. The Chairman of the Audit Committee attends the Risk & Sustainability Committee meetings as a member to ensure that information relevant to these two committees is transferred regularly. The Audit Committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risks as it relates to financial reporting and information technology risks.

Internal audit reviewed the risk management process within the Group. The overall satisfactory assessment is given in the context that the risk management process is currently being reviewed by management and ongoing improvements will be made over the next year as the process further develops and matures. Currently, risk management activities are performed actively and informally on a daily basis throughout all business units. These activities are not linked directly to the risk registers although the risk registers take account of these activities where material. The risk registers are used by executive management teams to provide a top-down risk assessment of their business units and as a formal reporting tool on a twice yearly basis rather than a management tool or an enterprise-wide resource tool. Internal audit has recommended various improvements which management has agreed to address and corrective measures are already being implemented.

Internal audit

The Audit Committee is responsible for overseeing of internal audit and has considered and approved the internal audit charter and the Internal Audit Department's annual risk-based audit plan.

The internal audit function reports centrally with responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Group's significant operations. The audit plan follows a three-year cycle and is revised regularly in accordance with the risk profiles as discussed and tabled at the Risk & Sustainability Committee meetings with any changes to the internal audit plan being approved by the Audit Committee.

Each internal audit conducted is followed up by a detailed report to operational and senior management, including recommendations on aspects requiring improvement. The Chief Audit Executive is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the Audit Committee at each Committee meeting. Copies of the detailed reports are also provided to the Audit Committee together with an overall summary of the audit result for each audit.

The Chief Audit Executive has direct access to the Audit Committee, primarily through its Chairman, and attends all the Risk & Sustainability Committee and Audit Committee meetings by invitation.

The Audit Committee is responsible for the appointment and removal of the Chief Audit Executive. The Committee is also responsible for the assessment of the performance of the Chief Audit Executive and the internal audit function. The Committee has considered and is satisfied with the effectiveness of the internal audit function.

An external assessment of the internal audit function is due to be performed during the 2012 financial year in line with the five-year external review as the previous external assessment was performed in May 2007. The previous assessment indicated positive results and compliance with the Institute of Internal Auditors standards.

Whistle-blowing

The whistle-blowing arrangements are approved and monitored by the Audit Committee. The Chief Audit Executive receives and deals with any concerns or complaints, whether from within or outside the Group through an independent specialised tip-offs call centre and tables this information and the results of follow-ups at each Audit Committee meeting.

The Committee is satisfied that instances of whistle-blowing were appropriately dealt with.

Sustainability reporting

The Audit Committee considered the Group's sustainability information as disclosed in the Integrated Report and in the Sustainability Report and has assessed its consistency with operational and other information known to the Audit Committee members, and for consistency with the Annual Financial Statements. The Audit Committee has discussed the sustainability information with management and the Chairman of the Risk & Sustainability Committee.

The Committee is satisfied that the sustainability information is reliable and consistent with the financial results.

Recommendation of the Integrated Report for approval by the Board

The Audit Committee has, at its meeting held on 21 October 2011, reviewed and recommended the Integrated Report for approval by the Board of Directors.

John Buchanan
Audit Committee Chairman

21 October 2011

REMUNERATION REPORT

REMUNERATION PHILOSOPHY AND POLICY

The Group strives to retain its competitive advantage in the global pharmaceutical industry through the attraction and retention of high-calibre individuals, who not only have the required technical qualifications and experience, but who also demonstrate the desired behavioural traits which fit the Group's entrepreneurial and dynamic culture.

The Group remains cognisant of the importance of finding the proper balance between keeping its employees appropriately rewarded and motivated and balancing the financial considerations of the Group's shareholders in the medium term. The Group makes reference to independent surveys, publicly available economic data and marketplace intelligence in endeavouring to set remuneration packages that are competitive as well as industry and market related. In awarding annual salary increases to employees, consideration is given to an employee's performance as well as the economic conditions impacting the industry and the geographical market in which the employee is based.

The Remuneration & Nomination Committee, a sub-committee of the Board, assists the Board, *inter alia*, in:

- setting and administering the policies in terms of which the remuneration of executive directors and executive management is determined;
- setting performance targets for executive directors and, where relevant, other members of executive management;
- approving grants to executive directors and members of executive management in terms of any of the Group's incentive schemes;
- setting the parameters for annual increases for other employees of the Group who are not members of registered bargaining councils; and
- making recommendations to the Board and shareholders on the fees payable to the Group's non-executive directors. The Committee does not, however, consider or play any part in recommending its own remuneration – this is determined independently by the Board, following a recommendation by the executive directors.

Executive and management remuneration principles

The remuneration philosophy of the Aspen Group is aimed at driving the Group's high-performance culture. Remuneration packages are directly linked to individual and Company performance. Executive and management remuneration is formulated in a manner which aligns the rewards of these employees with changes in the value delivered to the Group's stakeholders and further recognises exceptional individual contributions. The remuneration packages of executives and management are accordingly made up of fixed variable and medium-term incentive elements, as follows:

- **Base salary:** This is the fixed portion of the remuneration package which is payable in cash, is reviewed annually and in circumstances where the executive or manager is promoted.
- **Annual incentive:** This variable portion of remuneration increases as a proportion of maximum potential earnings as the executive or manager reaches higher levels of seniority. Payable in cash, the entitlement to and the quantum of the annual incentive is determined according to the achievement of predetermined performance targets by the employee and by the Group company in which the executive or manager is employed.

  The annual incentive is capped in value. The cap on the annual incentive for executives and managers varies between countries of employment, but does not in any instance exceed 30% of the total remuneration cost (excluding incentives).

  A further discretionary bonus may be paid in cash to employees who are considered by the Remuneration & Nomination Committee to have rendered exceptional service in any given year. This discretionary bonus has never exceeded 10% of any recipient's total remuneration.
- **Medium-term incentive:** This is applicable to selected employees in Group companies which exceed agreed performance criteria. The medium-term incentive vests three years after award on condition that the executive or manager concerned remains in the employ of the Group. However, should the employee retire within the three-year period, the medium-term incentive will be accelerated to the date of termination of employment. The medium-term incentive scheme thus plays a direct role in facilitating the Group's retention objectives. The medium-term incentive is determined according to the achievement of predetermined performance targets by the executive or manager and by the Group company in which they are employed. In South Africa the medium-term incentive is payable in cash or shares, at the employee's election. In all other qualifying territories, the medium-term incentive is payable in cash under the principles of a phantom share scheme.

  The medium-term incentive scheme is capped as to the value of the award. This cap varies according to the level of seniority of the executive or manager and territory of employment. The maximum award does not exceed 30,25% of the total remuneration cost (excluding incentives) in any instance. Incentives are awarded under the following schemes:

  > The Aspen South African Management Deferred Incentive Bonus Scheme

  The scheme is designed to acknowledge performance and reward individuals for achievement of both the eligible employee's employer company within the Group and functional individual performance. The eligible employee is given the option at the date of the award to elect to receive the deferred incentive bonus in cash or Aspen shares. An enhancement of 10% is given to employees who elect to receive the award in shares. To the extent that an employee

Corporate governance statement continued

REMUNERATION REPORT continued

elects to receive shares pursuant to the award, these shares will be awarded in terms of the existing Aspen Share Incentive Scheme. Shares awarded in terms of this scheme vest three years after the date of the award. The rules of the scheme specifically prohibit the re-pricing of awards to cater for unfavourable fluctuations in the share price.

> The Aspen International Phantom Share Scheme

In order to incentivise the management of Aspen's International businesses in the medium term, a phantom share scheme exists for selected international employees. Awards are linked to performance of the employee, the businesses and growth in the Aspen share price. The scheme has been designed to incentivise managers for the medium term, align their goals with those of the Aspen Group, and allow employees to benefit from the growth in the Aspen share price. Due to regulatory restrictions in respect of transfer and ownership of Aspen shares to offshore employees, the scheme is operated on a phantom basis, which is designed to give an employee the same economic benefit as ownership of shares. The phantom shares entitle eligible employees to receive a bonus based initially on a predetermined value and thereafter on changes in the Aspen share price. As this scheme does not result in the issue of shares, it is not regulated by the JSE and does not require shareholder approval.

In determining annual incentives, the Remuneration & Nomination Committee has the discretion to exclude factors and extraordinary events which are beyond the control of the Group but which may nevertheless favourably or adversely impact the Group's performance. Accordingly, extraneous factors may be excluded in the calculation of incentives for the executive directors and other members of executive management at the discretion of the Committee.

- **Legacy share schemes:** The following share schemes are still operational in terms of awards which were previously made. No new awards are being made under the schemes other than awards of share appreciation rights to three offshore executives in terms of existing contractual arrangements.

> Aspen Share Incentive Scheme

The scheme was adopted by shareholders in January 1999. In terms of the scheme adopted, and subsequent amendments, share options were granted to management and key employees. Participants in the scheme are entitled to take release of the options granted in five equal annual tranches, commencing on the second anniversary of the date granted and expiring on the eighth anniversary of the grant date. To the extent that outstanding share options are exercised on or after vesting date, the appropriate number of shares will be listed and awarded to the participant.

> Aspen Share Appreciation Plan

The plan was adopted by shareholders in October 2005. In terms of the plan, share appreciation rights are awarded to key management. Participants are awarded rights to receive shares in the Company equivalent to an amount calculated by reference to the increase in value of the rights between the date of the grant and the date of exercise of the rights. The rights vest on the third anniversary of the award date and expire on the fifth anniversary of that date. To the extent that outstanding share appreciation rights are exercised on or after vesting date, the appropriate number of shares will be listed and awarded to the participant.

> Aspen South African Workers' Share Plan

The Workers' Share plan was adopted by shareholders in October 2005. In terms of the plan, all South African employees employed by the Company for a full year on a permanent basis were issued shares in the Company to the value of R9 000 each over a period of three years. The shares vested immediately but are subject to a lock-up period of one year. The last tranche of this plan was issued in July 2009.

The maximum number of shares that can be issued in terms of all the share incentives schemes operated by the Group is limited to 64 741 611, and the maximum number of shares issued to any single employee is limited to 6 474 161 shares. An indication of the maximum number of shares that may result from awards granted in terms of the Share Incentive Scheme is contained in note 15.1 of the Group Annual Financial Statements. The number of shares that may result from awards made under the Share Appreciation Plan can only be determined at the date of exercise. Refer to note 15.2 of the Group Annual Financial Statements.

The Group's management incentive schemes are approved by the Remuneration & Nomination Committee.

Benefits: Benefits vary from country to country depending on customs and regulations. Benefits include retirement funding, medical insurance and life and disability insurance. A limited number of employees in South Africa are entitled to post-retirement health benefits (as a consequence of contractual obligations assumed from predecessor companies). Aspen has never offered post-retirement health benefits, but has assumed obligations for retirement health benefits through various acquisitions.

Executive directors

The principles in terms of which the remuneration packages of the Group's executive directors are determined mirror those applicable to other executives and management. Executive directors accordingly receive a base salary, an annual incentive and a medium-term incentive which are determined in accordance with the principles applicable to executives and management and are calculated as set out below. In the case of the executive directors, the maximum annual incentive is 100% of their total remuneration cost (excluding incentives).

In terms of their service contracts, executive directors receive no additional remuneration on account of their being directors of the Group. Executive directors' incentive bonuses are approved by the Remuneration & Nomination Committee based on the following predetermined targets:

- the three-year compound growth of the Group's headline earnings per share. The maximum target is the South African Consumer Price Index +8% and the minimum threshold for achievement of the incentive is Consumer Price Index +5%. The weighting of this portion of the incentive is 70% of the total incentive;
- a weighting of 15% on their key performance indicators; and
- a weighting of 15% at the discretion of the Remuneration & Nomination Committee based upon their evaluation of the executive director's contribution to the achievement of the Group's strategic objectives.

In addition to the annual incentive, executive directors are awarded a deferred incentive bonus under the terms and conditions of the South African Management Deferred Incentive Bonus Scheme referred to above, capped at a maximum of 37,5% of their total remuneration cost (excluding incentives). Neither of the executive directors has a long-term service contract with the Group and, in both instances, the service contracts of the executive directors are terminable on six months' written notice.

Retirement fund contributions – South African operations

The Group's policy is to contribute to retirement funds by payment to separate funds which are statutorily independent from the Group.

In South Africa, employees, other than those required by legislation to be members of various industry-related funds, are covered by way of defined contribution provident funds governed by the Pension Funds Act, 1956, with varying contributions. Benefits are determined in proportion to each member's equitable share of the total assets of the funds on termination of membership.

Retirement fund contributions – International businesses

Australian law controls the requirements for Aspen Australia to contribute a minimum payment to superannuation funds of the employee's choice. Aspen Australia complies with its legal obligations in this regard.

In Mauritius, it is a prerequisite of an employee's employment contract that the employee independently procures adequate retirement assurance. The employee must cover the costs and expenses in relation to his/her retirement requirements.

In Brazil, employees are covered by the Brazilian Social Security Scheme whereby they receive a retirement, retrenchment or disability benefit depending on their age and period of contribution. Aspen Brazil contributes 27,8% of the employee's salary while the employee will contribute between 8% and 11% of his/her salary depending on their remuneration level.

In Uganda, there is a statutory requirement that all permanent employees must belong to a provident fund. The employee contributes 5% and the employer 10% of the employee's gross salary.

In Tanzania, retirement benefits are generally covered by the Employment and Labour Relations Act, 2004. Contribution to a selection fund is 20% of either basic or gross salary depending on the Pension Funds Act. Employers are obliged to register their employees with a pension fund. Further, legislation allows additional, separate industrial arrangements between employers and employees, provided such arrangements do not contravene the governing laws.

In Mexico, the Salary and Labour Benefit Scheme in place does not yet include a private pension plan or retirement funding. However, companies are subject to the mandatory occupational pension programme ("Sistema de Ahorro para el Retiro") for which the employer absorbs 100% of the contribution, calculated on 2% of each employee's salary.

In Venezuela, the Salary and Labour Benefit Scheme in place does not yet include a private pension plan or retirement funding. However, companies are subject to a mandatory contribution to a social security plan which includes an employee contribution of 2% of the employee's salary. When employees attain 55 years of age in the case of female and 60 years of age in the case of male employees they receive a monthly pension that is currently equal to the statutory minimum salary. To be eligible for this benefit, employees must have completed 650 weeks of combined employment.

In Germany, a compulsory state pension fund affords the employee a pension equivalent to approximately 80% of the employees' last salary prior to retirement. The Company pension fund serves as a top-up for the shortfall in earnings after retirement. As part of existing terms of employment, Aspen Bad Oldesloe contributes an average of 2,5% of the income of the employee with a corresponding contribution by the employee not being required. The return on the fund is based on the AAA Euro Bonds yield. In terms of the scheme rules, surpluses are reviewed every 10 years and credited to the employee's pension fund.

Non-executive directors

Non-executive directors do not receive any bonuses, share options, incentives or other payments in addition to their directors' fees. Following research into trends in non-executive director remuneration among companies of a similar size and complexity to the Group and the duties performed, non-

Corporate governance statement continued

REMUNERATION REPORT continued

executive directors' fees are proposed by management to the Remuneration & Nomination Committee. After review of such proposals, the Remuneration & Nomination Committee makes appropriate recommendations, other than for fees for services rendered to the Remuneration & Nomination Committee, to the Board. The proposal endorsed by the Board is tabled for approval by shareholders at the annual general meeting. As required by the Companies Act, at the 2011 annual general meeting, the Group will seek retrospective approval, by special resolution, of its non-executive directors' remuneration for the period from 1 July 2011 to 30 June 2012.

Non-executive directors' fees are fixed for the year. A base fee is payable to each non-executive director annually, in addition to a fee per meeting attended. The Chairman of the Board receives a flat annual fee for her role as Chairman. Further fees will be paid for attendance at unscheduled meetings dependent on the number of hours spent at the meeting, up to a maximum of the set fee per meeting. In the instance of non-attendance, non-executive directors are obliged to continue to participate in meetings by providing the Chairman or the committee Chairman with detailed inputs for all agenda items. The Remuneration & Nomination Committee has discretion to approve payment of such fees to a non-executive director notwithstanding his/her absence from a meeting in special circumstances.

Consistency of application and approval

The remuneration philosophy is consistently applied across all companies forming part of the Group. In line with the recommendation of King III, the Group will table this Remuneration Policy at its 2011 annual general meeting for a non-binding advisory vote by shareholders.

Directors' remuneration and shareholding

The tables below set out the remuneration paid to the directors, prescribed officers and highest paid executives, as well as the details of directors' shareholdings in the Group.

Non-executive directors	2011 R'000	2010 R'000
Archie Aaron#	73	190
Roy Andersen	345	250
Rafique Bagus	361	240
John Buchanan	509	443
Judy Dlamini	716	623
Abbas Hussain	165	110
Chris Mortimer	185	290
David Nurek	255	190
Sindi Zilwa	319	341
	2 928	2 677

Archie Aaron retired as a non-executive director of the Group on 26 November 2010. The payment reflected above includes payments made until this date.

Executive directors 2011	Remuneration R'000	Retirement and medical aid benefits R'000	Performance bonus R'000	Share expenses* R'000	Total R'000
Gus Attridge	3 870	491	4 321	2 139	10 821
Stephen Saad	4 687	584	5 254	2 623	13 148
	8 557	1 075	9 575	4 762	23 969

Refer to note 26 of the Group Annual Financial Statements for prior year emoluments paid to directors.

** This included both IFRS 2 share-based payment expense as well as the exercise of share options and/or share appreciation rights.*

Prescribed officers 2011	Remuneration R'000	Retirement and medical aid benefits R'000	Performance bonus R'000	Share expenses* R'000	Total R'000
Morné Geyser	**1 768**	**253**	**477**	**3 641**	**6 139**
Noel Guliwe	**2 543**	**403**	**695**	**785**	**4 426**
	4 311	**656**	**1 172**	**4 426**	**10 565**

Refer to note 26 of the Group Annual Financial Statements emoluments paid to prescribed officers in the prior year.

**This includes both the IFRS 2 share-based payment expense as well as gains made on the exercise of share options and/or share appreciation rights.*

Highest paid executives of the Group, who are not directors, are as follows:

2011	Remuneration R'000	Retirement and medical aid benefits R'000	Performance bonus R'000	Share expenses* R'000	Total R'000
Executive 1	**4 104**	**–**	**1 474**	**1 066**	**6 644**
Executive 2	**3 999**	**–**	**1 438**	**1 066**	**6 503**
Executive 3	**3 200**	**277**	**–**	**–**	**3 477**
	11 303	**277**	**2 912**	**2 132**	**16 224**

None of the executives above are employed in South Africa. Their identities have not been disclosed for reasons of confidentiality.

Directors' interests in Aspen shares

Shares under option offered to and accepted by executive directors and prescribed officers in terms of the Aspen Share Incentive Scheme totalled 1 200 000 shares (2010: 1 212 200 shares) as follows:

	Grant price (R)	Expiry date	Options outstanding on 30 June 2010 ('000)	Options exercised ('000)	Options outstanding on 30 June 2011 ('000)	Vested ('000)
Gus Attridge	9,20	Aug 2011	400	–	**400**	**400**
Stephen Saad	9,20	Aug 2011	800	–	**800**	**800**
Morné Geyser	6,50	Feb 2011	3	3	**–**	**–**
	11,20	Apr 2012	3	3	**–**	**–**
	12,67	July 2012	6	6	**–**	**–**
			12	12	**–**	**–**
			1 212	12	**1 200**	**1 200**

No share options lapsed or were cancelled during the year.

Corporate governance statement continued

REMUNERATION REPORT continued

Share appreciation rights offered to and accepted by executive directors and prescribed officers in terms of the Aspen Share Appreciation Plan totalled 1 152 063 rights (2010: 1 190 636 rights) as follows:

	Grant price (R)	Expiry date	Rights outstanding on 30 June 2010 ('000)	Exercised ('000)	**Rights outstanding on 30 June 2011 ('000)**	**Vested ('000)**	**Non-vested ('000)**
Gus Attridge	32,82	Sept 2011	159	–	**159**	**159**	**–**
	35,53	Sept 2012	157	–	**157**	**157**	**–**
	41,03	Sept 2013	150	–	**150**	**–**	**150**
			466	–	**466**	**316**	**150**
Stephen Saad	32,82	Sept 2011	193	–	**193**	**193**	**–**
	35,53	Sept 2012	190	–	**190**	**190**	**–**
	41,03	Sept 2013	181	–	**181**	**–**	**181**
			564	–	**564**	**383**	**181**
Morné Geyser	32,82	Sept 2011	5	5	**–**	**–**	**–**
	35,53	Sept 2012	34	34	**–**	**–**	**–**
	41,03	Sept 2013	53	–	**53**	**–**	**53**
			92	39	**53**	**–**	**53**
Noel Guliwe	36,03	Jan 2014	69	–	**69**	**–**	**69**
			1 191	39	**1 152**	**699**	**453**

No share appreciation rights lapsed or were cancelled during the year.

Shares offered to and accepted by executive directors and prescribed officers in terms of the South African Management Deferred Incentive Bonus Scheme totalled 118 320 shares (2010: 58 568) as follows:

	Price (R)	Maturity date	Shares outstanding on 30 June 2010 ('000)	Issued during the year ('000)	**Shares outstanding on 30 June 2011 ('000)**
Gus Attridge	64,70	Oct 2012	24	–	**24**
	86,88	Nov 2013	–	19	**19**
			24	19	**43**
Stephen Saad	64,70	Oct 2012	29	–	**29**
	86,88	Nov 2013	–	24	**24**
			29	24	**53**
Morné Geyser	86,88	Nov 2013	–	6	**6**
			–	6	**6**
Noel Guliwe	64,70	Oct 2012	6	–	**6**
	86,88	Nov 2013	–	10	**10**
			6	10	**16**
			59	59	**118**

The deferred incentive bonus shares have a maturity date of three years on acceptance of the bonus.

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The direct and indirect beneficial interests of the directors in the shares of the Company were:

	Direct ('000)		Indirect ('000)	
Director	**2011**	2010	**2011**	2010
Roy Andersen	**40**	40	**–**	–
Gus Attridge	**3 154**	3 154	**15 169**	15 169
Rafique Bagus	**–**	–	**–**	–
John Buchanan	**–**	–	**30**	30
Judy Dlamini	**–**	–	**1 316**	1 316
Abbas Hussain	**–**	–	**–**	–
Chris Mortimer	**78**	58	**–**	–
David Nurek	**–**	–	**19**	19
Stephen Saad	**2 747**	2 747	**51 303**	51 303
Sindi Zilwa	**–**	–	**–**	–
	6 019	5 999	**67 837**	67 837

None of the directors held any non-beneficial shares in the Company at 30 June 2011.

Roy Andersen
Remuneration & Nomination Committee Chairman

21 October 2011

Corporate governance statement continued

TRANSFORMATION REPORT
(Relates to the South African business only)

ASPEN'S BEE PHILOSOPHY

Aspen's Broad-based Black Economic Empowerment ("BEE") philosophy, as approved by the Transformation Committee and the Board is detailed below.

Aspen's heritage and its most material business is South African. As such, Aspen is acutely aware of the need for transformation in South African society in order to overcome the consequences of previous discrimination and to create an equitable society in which all individuals have equal opportunities, free from prejudice. By so doing, South Africa will benefit from the social reparation of past injustices and the added economic contribution of inclusive and unrestricted participation by all citizens.

To this end, Aspen is fully supportive of constructive measures introduced by Government to facilitate effective transformation in South Africa. Aspen has embraced the BBBEE Codes and, through transformation, Aspen seeks to harness the strength and power of its diversity, respecting each person for his/her individuality. Aspen has embarked on a transformation journey and has made meaningful progress in this regard.

Group Chief Executive Stephen Saad chairs Aspen's Transformation Committee. Deputy Group Chief Executive, Gus Attridge, Chairman of the Board, Judy Dlamini, and two independent non-executive directors, Rafique Bagus and Sindi Zilwa, are also members of the Committee. The primary role of the Transformation Committee is to assist the Board in ensuring that it discharges its fiduciary duties and obligations in respect of the South African business's transformation in accordance with approved policy. The Board recognises the critical role it has to play in the development and empowerment of historically disadvantaged individuals in South Africa and that transformation is essential to the economic and social sustainability of the country. The Transformation Committee, which is responsible for developing and implementing the Group's transformation strategy, while striving to ensure that management embraces transformation across the South African business, ensures alignment with the DTI's BBBEE Act, 2003/2004, and the associated Codes of Good Practice of 2007.

The Transformation Committee has defined clear guidelines and objectives for each of the seven elements of the BBBEE Codes and has an ongoing responsibility to monitor and review all aspects of the Group's BBBEE strategies. The Committee is governed by its Terms of Reference which is reviewed annually. The Committee's responsibilities include:

- monitoring the development and implementation of an appropriate transformation strategy for the Group;
- making recommendations to the Board on the overall target empowerment rating and strategies in the South African business;
- approving in advance the verification agency to be appointed to validate Aspen's empowerment rating;
- monitoring the implementation of the Transformation Policy and objectives in the South African business;
- monitoring Aspen's adherence to and performance under the BBBEE Codes; and
- monitoring Aspen's compliance with the requirements of the South African Department of Labour in respect of employment equity.

In the current financial year, based on the verification recently completed by Empowerdex, the Group scored 75,8 points (2010: 69,3 points) equating to an "AA" value-adding rating with a procurement recognition level of 137,5%. An overview of the Group's progress towards compliance is outlined below:

DTI Codes of Good Practice	Progress	Target under the Codes	**Verified scorecard rating (October 2011)**	Verified scorecard rating (October 2010)
Ownership	Full ownership points were achieved due to BBBEE equity holding and benefits retained on prior year disposals of Aspen shares	20,0	**22,0***	22,0*
Management control	Increase in top and senior black management	10,0	**6,3**	5,0
Employment equity	Score was improved due to increased employment of black disabled employees	15,0	**11,1**	10,1
Skills development	Increased skills spend on black employees and learnerships implemented during the year	15,0	**12,5**	9,5
Preferential procurement	Score improved due to increased spend on companies that are more than 50% black-owned	20,0	**17,5**	16,5
Enterprise development	Specific opportunities have been identified and implemented subsequent to year-end	15,0	**1,9**	2,7
Socio-economic development	Increased spend on CSI projects which focus on the upgrading of clinics and improving access to healthcare in rural areas	5,0	**4,5**	3,5
Overall score		100,0	**75,8**	69,3

** Bonus points achieved.*

Aspen has now achieved a "Level 3" contributor status, which is considered a major achievement in its transformation objectives. In October 2010, Aspen was recognised as a Level 4 contributor in accordance with the Department of Trade and Industry's Codes of Good Practice. Aspen was ranked 7th in the health sector in the Financial Mail's 2011 Empowerdex Survey of Top Empowerment Companies.

Achievements in the seven elements of the BBBEE Codes, verified by Empowerdex in October 2011, were as follows:

OWNERSHIP

Aspen's direct BBBEE shareholders held 15,4 million shares at year-end. CEPPWAWU holds 2,0 million shares and Imithi holds 13,4 million shares. Imithi also holds 17,6 million preference shares which carry a right of conversion into Aspen ordinary shares on a one-for-one basis in June 2012. The preference shares enjoy full and equal voting rights as ordinary shares in Aspen. Total voting rights held by BBBEE shareholders in Aspen's South African operations at year-end amount to 24,0%, using the DTI Codes of Good Practice.

Following the disposal of 6,8 million Aspen shares in 2010, CEPPWAWU disposed of a further 311 289 Aspen shares during the year.

In accordance with DTI guidelines, the BBBEE ownership points awarded to a company at any point in time continues to accrue to the company after the disposal of the shares of the qualifying equity holding by BBBEE shareholders. Based on the interpretation of Empowerdex, the duration of this entitlement is considered to be enduring. This principal is applied to prior disposals made by CEPPWAWU and Imithi in respect of their equity interests in Aspen.

MANAGEMENT CONTROL

Top and senior management

Aspen continues to focus on ensuring that, where possible, vacant senior management positions are filled by black employees (interpreted in the DTI Codes of Good Practice as the generic term which means Africans, Coloureds and Indians). The senior management category score improved to 35%. A formal internal succession planning process is being introduced that will identify potential opportunities for black employees throughout the Group.

Board representation

Aspen's current Board includes three black directors translating to 35% black representation, measured against a target of 50% in terms of the BBBEE codes.

Judy Dlamini, a non-independent non-executive director, joined the Aspen Board in 2005 and has filled the position of Chairman since November 2007. A medical doctor and an MBA graduate, Judy played an instrumental role in the formation of Aspen's BBBEE partner, Imithi. Her involvement outside of medicine has included corporate finance and business management.

Independent non-executive director, Rafique Bagus, was appointed to the Aspen Board in 2003. Rafique previously served as Chief Executive Officer of Trade and Investment South Africa where he was tasked with the responsibility of promoting, developing and co-ordinating exports from and direct investment into South Africa.

Sindi Zilwa, an independent non-executive director, was appointed to the Board in September 2006. In 1990, Sindi made history by becoming only the second black, female Chartered Accountant in South Africa.

Brief *curricula vitae* of Board representation on the Transformation Committee are contained on pages 64 to 65 of this Annual Report.

EMPLOYMENT EQUITY

The Group Human Resources Executive monitors the employment equity plan in consultation with employees through employee forums. The forums' composition, which includes unionised members, ensures that the interests of employees at all levels, as well as gender and race groups, are represented. Aspen remains committed to promoting equity and diversity throughout the Group and has centred its approach on building a culture that is consistent with Aspen's values, quality of management and continuous development, competitive recognition and rewards, and providing development opportunities.

An extensive review of Aspen's employment equity targets was undertaken in an attempt to ensure that its equity plans retain their relevance in currently constrained economic conditions. Although a shortage of adequately experienced black candidates available or ready to fill senior positions within the Group exists, Aspen believes that it is fundamental to mentor and develop its current talent and ensure that these employees are supported as their developments are fast-tracked.

The Group's commitment to affording equal opportunities to all employees is reflected in the employee profile. In South Africa, 75,8% (2010: 77,3%) of employees are black and 54,6% (2010: 53,7%) female.

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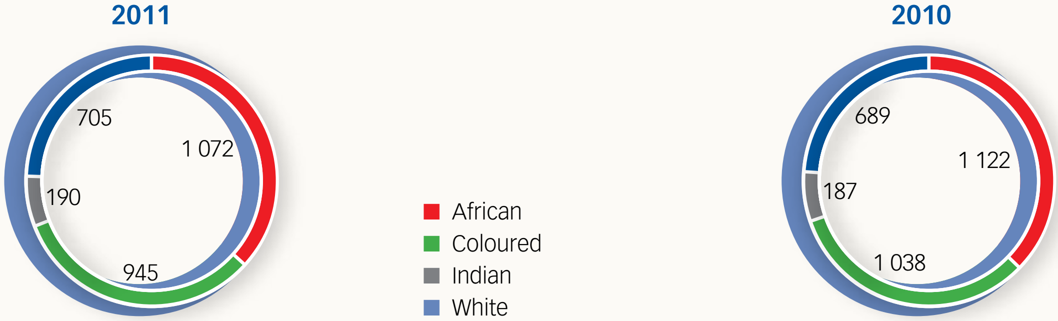
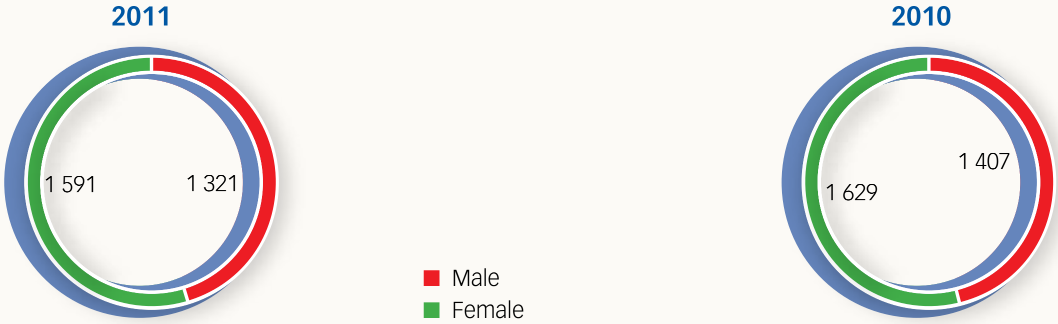
TRANSFORMATION REPORT continued

Demographic and gender representation

Race: number of permanent South African employees



Gender: number of permanent South African employees



Encouraging progress has been made in transforming the employee profile and objectives for the representation of previously disadvantaged individuals.

	2011	
Increasing black representation (%)	Achieved	Target
Senior management	29,5	43,0
Middle management	43,8	63,0
Junior management	67,4	68,0

The Department of Labour concluded an audit of employment equity practices applied at the Port Elizabeth site during March 2011. Some concerns were raised by the Department of Labour with regard to employment analysis as required by the Employment Equity Act and certain aspects of Aspen's Employment Equity Plan. Aspen has since implemented an Employment Equity Review process to rectify these concerns and also prepare the Employment Equity Plan.

SKILLS DEVELOPMENT

Increased emphasis has been given to the upskilling of previously disadvantaged individuals. This is reflected in the increased expenditure on skills training and the increased number of learnerships entered into during the year. The table below sets out Aspen's achievement in terms of the BBBEE Codes.

Criteria	Weighting points	Target under the DTI Codes of Good Practice	Aspen's profile	Aspen's score
Skills development expenditure on learning programmes				
Black employees as % of leviable amount, adjusted for gender	6	3%	3,2%	6,0
Black employees with disabilities as % of leviable amount, adjusted for gender	3	0,3%	0,1%	0,5
Learnerships				
Number of black employees participating in learnerships or category B, C and D programmes as a % of total employees, adjusted for gender	6	5%	6,2%	6,0
Total skills development score	15			12,5

Skills training and learnerships are linked to specific work-related functions. Learnerships entered into are designed to upskill the current employees to perform their tasks better and more efficiently in developing their skills and knowledge/experience.

Refer to the section on "Training and developing our people" on page 113 of the Sustainability Report for further detail on skills development.

PREFERENTIAL PROCUREMENT

During the year, the Group spent 80,4% of its total qualifying procurement spend of R2 412 million on empowered suppliers, reaffirming the Group's commitment to increasing procurement of goods and services from 50% black-owned and/or 30% black female-owned business. Black women-owned enterprises made up 0,7% of this amount, a pleasing increase from the previous year. Focused initiatives will continue to be applied to ensure Aspen assists in building the capability of black female businesses in the pharmaceutical sector, despite obstacles which prevent foreseeable achievement of the Department of Trade and Industry's 6% target. This area will receive focus during the year ahead, with links to the Group's enterprise development initiatives. Aspen's large qualifying spend base in South Africa requires a significant portion to be allocated to this supplier category in order to meet targets.

Led by a widespread Group effort to promote the appointment of empowered suppliers, preferential procurement continues to improve. As a consequence, the Group managed to improve its procurement from entities that have empowerment certificates.

Aspen has attained a Level 3 contributor status, which, combined with its accreditation as a value-adding supplier, enables its South African-based customers to claim 137,5% BBBEE preferential procurement credits for the full value of purchases made from Aspen.

Motivating existing suppliers, with no formal empowerment profile, to define their empowerment strategy is a key focus area for Aspen and the building of closer relationships with these suppliers remains a priority. Aspen engaged extensively with its supplier base through supplier awareness sessions to develop an accurate database of current suppliers' BBBEE credentials and their intended transformation strategies. Approved suppliers are categorised in accordance with the BBBEE Codes and their status is monitored on a continuous basis. Aspen has made steady progress in the procurement of packing materials and supply chain services from accredited South African suppliers. Relevant BBBEE criteria were also applied in the selection of suppliers and consultants for the capital expansion, upgrade and restoration projects undertaken at the South African manufacturing sites.

Corporate governance statement continued

TRANSFORMATION REPORT continued

The status of preferential procurement objectives for the year is set out below:

Measurement principle	Target per DTI Codes of Good Practice	**Aspen 2011* actual**	Actual 2010**
Preferential spend with all suppliers	50%	**80,4%**	79%
Preferential spend with qualifying small and emerging micro enterprises	10%	**18,8%**	12%
Preferential spend with enterprises that are more than 50% black-owned	9%	**6,9%**	4%
Preferential spend with enterprises that are more than 30% black women-owned	6%	**0,7%**	–
Total preferential procurement score (points)	20,0	**17,5**	16,5

**As audited by Empowerdex in October 2011.*
***As audited by Empowerdex in October 2010.*

Strategies are being developed to ensure that the Group meets its objectives for the forthcoming year and in future years where compliance targets increase.

ENTERPRISE DEVELOPMENT

Enterprise development presents an opportunity to stimulate sustainable economic growth by empowering and developing black-owned and small, medium and micro businesses in South Africa, thereby supporting the expanding pool of entrepreneurial skills in the country and increasing the base of qualified suppliers in South Africa. The Transformation Committee has embraced enterprise development as one of its core strategic initiatives and remains committed to adhering to the spirit of enterprise development in the pharmaceutical industry. Senior executives have taken responsibility to accelerate enterprise development with selected partners. Stringent criteria are being applied in the selection of new enterprise development partners.

During the current financial year, Aspen identified certain enterprise development initiatives. These initiatives, which have now been finalised, have the following primary objectives:

- benefiting empowerment groups in terms of skills and entrepreneurship;
- significantly improving Aspen's score in terms of the BBBEE Codes; and
- being closely aligned with Aspen's business so as to enable it to commercially leverage off them.

Subsequent to the year-end, Aspen has entered into an enterprise development transaction, which comprises loan funding of R25 million to two BEE participants to facilitate investment into an existing underlying business. The business is closely aligned to Aspen's commercial activities of its pharmaceutical business.

A further transaction comprising loan funding of R25 million to two additional BEE participants to facilitate investment into an existing underlying business, which is closely aligned to Aspen's consumer business, has been finalised and is awaiting Competition Commission approval prior to implementation.

SOCIO-ECONOMIC DEVELOPMENT

Socio-economic development is a core segment of Aspen's business strategy and operations. Aspen continuously aims to invest in the economic transformation of communities in South Africa, focusing on education and training in line with its strategy of developing a pipeline of scarce skills for the industry and creation of sustainable jobs. All projects entered into are closely aligned to Aspen's primary business.

Spend during the year increased from R7,9 million in 2010 to R11,9 million in 2011.

Aspen's employees are actively involved in socio-economic development programmes and are encouraged to assist with volunteering either time, resources or money to community programmes and causes throughout the year.

Refer to the CSI section on pages 117 to 119 of the Sustainability Report for further details.

Stephen Saad
Transformation Committee Chairman
21 October 2011

Responsible corporate citizenship

Introduction

Aspen's vision, *"To deliver value to all our stakeholders as a responsible corporate citizen that provides quality, affordable medicines globally"*, encapsulates the Group's inherent approach of conducting business ethically, with integrity and with a commercial wisdom which strives to enhance the economic and social well-being of its investors, employees, customers and business partners. As a JSE Ltd listed top 40 company, in its quest to secure wealth creation and financial growth for its shareholders, Aspen recognises its accountability towards uplifting the communities and for protecting the physical environment within which it operates. At Aspen, responsible corporate citizenship is more than a compliance requirement, it is fundamental to the Group's objectives.

An absolute commitment to good corporate citizenship

Led by the high-calibre Board of Directors and long-serving, experienced executives, Aspen operates on an established foundation of strong corporate governance. King III has largely been implemented throughout the Group with the exception of matters identified on pages 74 to 75 where reasons for non-compliance or partial compliance are explained. Aspen acknowledges steps taken internationally towards enhancing and standardising sustainability reporting and supports sustainability initiatives which are relevant to the Group. To this end, the Board has enhanced its commitment to such initiatives through the establishment of the Risk & Sustainability Committee. Through this Committee, the Board considers the strategic, financial and operational risks facing the Group and monitors the adequacy of actions taken to mitigate these risks, thereby protecting the interests of stakeholders.

Aspen believes in engagement and communication with the Group's identified stakeholders. In doing so, Aspen undertakes to provide information which is truthful, accurate and consistent and which is relevant to stakeholders in making their decisions.

With the aim of supplying high quality, cost-effective products responsibly to all our customers, products are manufactured and distributed in accordance with the relevant regulations, legislation and guidelines governing the pharmaceutical industry. In the promotion of Aspen's brand and products, our sales and marketing policies are aligned with relevant marketing codes in each operating territory.

Securing economic returns to shareholders

Creating wealth is a business imperative and delivering returns to shareholders is a pre-requisite for sustainability of any business as a going concern. Since its public listing in 1998, Aspen has consistently delivered progressive returns to shareholders. Aspen benchmarks its performance against its competitors both in South Africa and internationally. Robust financial systems of control are applied to monitor and report financial information. Financial objectives are, however, set with due consideration of non-financial factors impacting each area of the business. The business environment in each geographic segment is carefully studied on an ongoing basis and territory-specific business strategies are implemented to maximise the opportunities in each region while mitigating the downside. Strategic transactions are undertaken with due regard to:

- increasing shareholder wealth;
- Aspen's Code of Conduct;
- protecting the credibility and good reputation of the Group;
- compliance and regulatory requirements;
- the expectations of and potential impact on affected stakeholders;
- the Group's tolerance for risk; and
- the unique market and operational dynamics which characterise each territory.

Our people

Aspen's strength lies in its worldwide team of more than 6 300 employees. Employees work in a trusting environment which is free from discrimination, prejudice, bias, harassment and violation. Employee rights and labour regulations are respected through human resources, industrial relations and legal compliance frameworks implemented throughout the Group. Employees are free to belong to a trade union and/or collective bargaining councils.

Executives and management interact with staff on the basis of an open-door policy and employees are given the necessary infrastructure, training and support required to perform their duties professionally, effectively, efficiently and diligently. In this way, every employee is expected to optimise their contribution to the Group and act in good faith as an ambassador of Aspen's values and corporate ethics. To this end, employees sign a Code of Conduct which governs their actions relative to the Group.

Responsible corporate citizenship continued

Protocols, programmes and support facilities are in place to protect employees' health, safety and well-being. Through the Transformation Committee, the Board endorses diversity and addresses South Africa's Black Economic Empowerment objectives.

The Group strives to ensure that each employee's contribution is fairly rewarded and recognised. The Remuneration & Nomination Committee monitors remuneration and reward structures to ensure that employees are compensated with competitive salary and benefit schemes.

"Healthcare. We Care"

An investment of more than R1 billion has been made over the last five years to build and upgrade our world-class manufacturing sites in order to supply superior quality products at competitive prices for our customers throughout the world. Highly skilled and competent professionals are employed in our business to manage the quality, efficacy and cost of products. Aspen's robust pipeline includes products which cover a wide range of therapeutic categories across a diverse customer base. At the onset of the HIV/AIDS pandemic, Aspen pioneered the concept of voluntary licences through which multinational companies granted manufacturing and supply rights to selected generic players for patented HIV/AIDS drugs. In this way, Aspen accelerated the supply of affordable ARVs to Africa and other emerging markets. Aspen was the first company to launch generic ARVs in Africa. Such initiatives demonstrate Aspen's commitment to increasing access to affordable medicines throughout its global markets.

Aspen's CSI programme supports the establishment of clinics, healthcare programmes, educational programmes, community programmes and charitable initiatives which are targeted at addressing the shortage of primary healthcare in South Africa. Programmes targeting HIV/AIDS and TB are given priority.

CSI projects are also carried out at Aspen's International businesses to contribute to the well-being of employees, customers and the broader communities.

Protecting our environment and conserving resources

Our manufacturing and supply protocols promote the ongoing review and continuous improvement of operating policies and procedures in an effort to deliver high quality products to the market responsibly, on time and at competitive prices. In doing so, cognisance is taken of developments in environmental legislation, related technological enhancements relevant to the Group's operations, resource conservation systems and environmental management guidelines.

Stakeholder engagement

At Aspen, stakeholder engagement is promoted by the Group's Board of Directors who review the policy on an annual basis and considers stakeholder engagement undertaken and to be undertaken quarterly. Stakeholder engagement is an inherent part of routine management processes which are applied on a daily basis in order to manage a myriad of important stakeholder relations.

ASPEN'S STAKEHOLDER ENGAGEMENT POLICY

Overview

With its history extending back to approximately 160 years since the inception of Lennon Ltd in 1850, Aspen has an entrenched legacy in South Africa and parts of southern Africa. In the 13 years since listing on the Johannesburg Stock Exchange (now the JSE Ltd) in 1998, Aspen has evolved from a trusted, domestic pharmaceutical company in South Africa to a well-reputed manufacturer and supplier of high quality, affordable pharmaceutical products to more than 100 countries around the globe. The strength of the Group lies in its ability to foster and maintain strong relationships with its stakeholders through transparency and effective communication. The Board of Directors is committed to sustaining Aspen's established credibility and rapport among its stakeholders.

Stakeholder identification

Stakeholders are considered to be those persons, groups or organisations which are directly impacted by the activities of the Group as well as those persons, groups or organisations which can reasonably be foreseen to be impacted by the Group's activities. A structured system of engagement exists to ensure the timeous communication of accurate and relevant information to each stakeholder group in a consistent manner. Stakeholder engagement in the South African business has been well established over the years. Steps towards identifying and actively engaging Aspen's relevant stakeholders in the International businesses are being taken as Aspen embeds its presence in these regions.

Responsibility for stakeholder engagement

The Board of Directors of Aspen is responsible for the implementation of a stakeholder-inclusive governance approach. The Stakeholder Engagement Policy for the Group is approved by the Board. The Board delegates this responsibility to the Group's executive management body. Executive management is hence entrusted with the responsibility for implementation of the Stakeholder Engagement Policy and a robust and consistent system of communication with identified stakeholder groups. Chief executive officers at the Group's subsidiary companies (or their equivalent) are mandated to liaise with the People and Operations stakeholder groups to ensure that the specific expectations of a diverse stakeholder base are met. The Group corporate communications team is then responsible for interaction with stakeholders in the Corporate Group. To ensure compliance with all relevant regulations and protocols governing corporate communication, external consultants are appointed as required. In accordance with the JSE's Listings Requirements, all corporate communications which appear on the Stock Exchange News Service are approved by the Group's Corporate Sponsor, for the time being, prior to posting the announcement.

Stakeholder participation

Stakeholders are encouraged to interact with the Group to gain a better understanding of Aspen and also to voice their opinion.

The open-door policy at Aspen facilitates ongoing interaction and promotes internal stakeholder participation. Meetings, forums, awareness sessions and electronic communication are just some of the interaction methods available to internal stakeholders.

External stakeholders can liaise with the Group using the following channels:

- Aspen's online enquiry form located on www.aspenpharma.com;
- using direct contact details of the corporate and regional offices for specific information;
- the Aspen customer care line;
- the Aspen Medical Information hotline;
- the independently monitored Tip-Offs® anonymous hotline;
- direct access to the Group Investor Relations Manager, Group Company Secretary or the Group Communications Consultant; and
- access to publically available corporate information through the Group Company Secretary.

Dispute resolution

The Group's approach to conflict/dispute resolution is through constructive dialogue with the relevant parties. Where this preferred method does not result in adequate resolution of a matter, external legal advisers, arbitrators and/or mediators are engaged to expedite resolution.

Review of the Stakeholder Engagement Policy

This Stakeholder Engagement Policy must be reviewed by the Board on or before 1 October of each year. In addition, it may be updated more frequently should circumstances necessitate.

Stakeholder engagement continued

The Group's key stakeholders can be classified into the following groups:

People	Operations	Corporate
Employees	Pharmaceutical regulatory authorities	Investors, healthcare analysts and media
Trade unions	Healthcare industry	Shareholders
Bargaining councils	Suppliers	Communities
Academia and educational institutions	Government and local authorities	Consultants and service providers
	Customers/Consumers	Funders and corporate bankers
	Business partners	

ASPEN'S STAKEHOLDER ENGAGEMENT APPROACH WITH STAKEHOLDER GROUPS

Stakeholder group	Means of engagement
People	
Employees	• Routine and specifically scheduled functional and cross-functional meetings as required.
	• Notice boards to display relevant announcements are accessible to staff across the departments.
	• Company intranet is available for online access to key notices and pertinent information.
	• Sales conferences are held and attended by the sales teams, executives and representatives from relevant support functions.
	• An annual strategic conference is held for executives to discuss Group strategy.
	• Letters/emails are sent to employees regarding policies, procedures and/or employment-related information.
	• Workshops and training sessions are held to create an awareness of and provide training on new processes, new technology and for continuous learning.
	• Employment equity committees exist in South Africa to promote the development and advancement of previously disadvantaged individuals.
	• Annual results presentations and selected strategic announcements are delivered to Group executives and management who then disseminate the information to operational staff.
	• An open-door policy/culture exists for ongoing communication and interaction among colleagues.
	• The Tip-Offs® anonymous hotline is managed independently by Deloitte for the reporting of fraud, theft and unethical behaviour in South Africa and other areas.
Trade unions	• Union representatives are elected to liaise with management on matters affecting union members.
	• Human Resources managers are responsible for managing the relationship with the employee unions and relevant industrial labour organisations and to represent the Company at the Commission for Conciliation, Mediation and Arbitration in South Africa.

Stakeholder group	Means of engagement
People continued	
Bargaining councils	• Meetings are held with the bargaining councils as required.
	• The Human Resources Manager – Operations represents Aspen at the Bargaining Council meetings in South Africa.
Academia and educational institutions	• Interaction is managed with institutions and academia as required by a dedicated executive.
	• Aspen is represented at seminars, conferences, student days hosted by institutions and also participates in career development programmes.
Operations	
Pharmaceutical regulatory authorities	• Audits and site inspections are conducted by authorities against notification.
	• Correspondence, as required, is entered into with regulatory authorities for purposes of managing regulatory matters regarding the regulatory status of facilities and the registration status of intellectual property.
	• Meetings are held with regulatory authorities when necessary.
Healthcare industry	• Representation on pharmaceutical industry bodies and relevant commercial and trade associations.
Suppliers	• A centralised Procurement Department exists in South Africa to identify new suppliers and manage supplier relationships.
	• A vendor rating process is in place for supplier performance assessments, the results of which are communicated with suppliers and corrective action plans are negotiated.
	• Meetings are held with vendors as necessary.
	• Vendor audits are conducted where required.
	• Relevant vendors are involved in assisting with the supply of materials for new product launch processes where necessary.
	• Representatives attend international supply symposiums to identify new suppliers and meet with existing suppliers.
Government and local authorities	• Interaction with government departments and officials as required.
Customers/ Consumers including national and provincial Department of Health, healthcare practitioners, healthcare providers, healthcare funders and patients	• Direct calling by qualified sales representatives for the various customer groups.
	• Representatives participation at relevant conferences to interact with customers.
	• Product/brand advertising is undertaken to create brand awareness and market products as permissible by marketing codes.
	• Implementation of product or brand awareness campaigns and product awareness sessions as relevant.
	• Correspondence, as required, is sent to customers.
	• Aspen newsletters are sent to customers containing product information, general, relevant information and information about events.
	• Dedicated sales teams interact with specific customer groups.
	• Consumer Call Line and a dedicated Medical Information Hotline.
	• Site visits to manufacturing facilities as arranged.
	• Participation in State tenders.
Business partners	• Ongoing communication and interaction.
	• Meetings as required.
	• Site visits to manufacturing facilities as arranged.
	• Personal interaction with third parties by relevant senior executives.
	• Information sharing projects are undertaken for mutual benefit.
	• Dedicated technical transfer project teams are formed to manage manufacturing transfer plans and distribution transfer teams to manage supply arrangements.

Stakeholder engagement continued

Stakeholder group	Means of engagement
Corporate	
Investors, healthcare analysts and media	• A dedicated Investor Relations Manager is responsible for the information needs of existing and potential investors and healthcare analysts.
	• Corporate presentations are delivered, by the Group Chief Executive and Deputy Group Chief Executive, to investors, analysts and media for the communication of financial results and for information regarding significant corporate activity.
	• A conference call follows corporate announcements to accommodate international investors and analysts to provide an opportunity for investor participation.
	• One-on-one meetings and interviews are held to cater for specific information needs of investors, analysts and media groups.
	• Within the confines of the rules of JSE Ltd, continuous interaction with investors and media between closed periods.
	• Distribution of a comprehensive Annual Report and the interim results to all investors.
	• Periodic scheduled site visits conducted for investors and analysts.
	• Stock Exchange News Service announcements are made to communicate information pertaining to corporate activity and Group results.
	• Investor-relevant information can be accessed on the Aspen Group website.
Shareholders	• Annual general meetings are held as per statutory requirements.
	• The Annual Report is distributed to shareholders.
	• Shareholders are able to access disclosable information though the Company Secretary.
	• Stock Exchange News Service announcements communicate information pertaining to statutory corporate activities which impact shareholders and directors' share dealings.
	• Selected statutory information is available on the Aspen website.
	• Selected announcements are published in both English and Afrikaans in the printed press after release on the Stock Exchange News Service.
	• Statutory correspondence is posted to shareholders as required by the Companies Act and other applicable legislation.
	• Institutional shareholders can access information regarding corporate activity through the Investor Relations Manager.
Communities	• Aspen supports local community projects through its CSI programme.
	• A dedicated CSI Manager liaises directly with community project leaders and visits project sites.
	• Peer educators offer HIV/AIDS training to communities in the Port Elizabeth area.
Consultants and service providers	• Information sharing and interaction when services are procured for expert/specialist services including technical consultants and the media for public relations and corporate communications.
	• A dedicated Communications Consultant to co-ordinate liaisons and interaction with members of the media.
Funders and corporate bankers	• Regular communication with funders regarding performance against covenants.
	• Frequent contact with providers of finance to keep abreast of conditions in the capital markets.
	• Engagement with bankers in respect of the Group's potential funding requirements.

The Group has thousands of stakeholder engagements annually. Set out below by way of example are some of the more material engagements undertaken by senior executives.

Region	Stakeholder engagement activity
South Africa	• The Chairman, Group Chief Executive and Strategic Trade Executive formed part of an industry group who met informally with the South African Minister of Health to discuss matters of mutual interest.
	• The Group Chief Executive accompanied by the Head of Operations and the Group Human Resources Executive met with shop stewards at the Port Elizabeth site to discuss improving relations.
	• The Strategic Trade Executive took a leading role in the Pharmaceutical Task Group (an umbrella organisation of South African pharmaceutical trade organisations) in submitting industry responses to the South African Department of Health in respect of international benchmarking and the capping of logistics fees.
	• The Head of Operations hosted an investor day at the Port Elizabeth site which was attended by a number of asset managers. The Group Chief Executive, Deputy Group Chief Executive and the Investor Relations Manager were also in attendance.
	• The Strategic Business Development and Pharmaceutical Affairs Executive met with the Mexican regulatory authorities and the MCC to discuss progression of dossier registrations.
	• The Strategic Business Development and Pharmaceutical Affairs Executive and the Chief Executive – Aspen Global met with GSK to discuss post-acquisition contractual matters.
	• The Group Human Resources Executive participated in a skills development consultative forum led by the Chemical Industries Education and Training Authority.
Sub-Saharan Africa	• The Chief Executive – Shelys engaged with the Director General of the Tanzanian FDA with regard to preferences for local manufacturing companies.
	• The Chief Executive – Shelys has been engaging with the Kenyan Revenue Authorities regarding the ongoing legal action over import tariffs.
Asia Pacific	• The Group Chief Executive, Deputy Group Chief Executive, Chief Executive – Aspen Global, and the Australian management team were engaged with various consultants and advisers in connection with the acquisition of the Sigma pharmaceutical business.
	• The Group Chief Executive, Deputy Group Chief Executive, Chief Executive – Aspen Global, Group Finance Executive and the Australian management team were engaged with all of the leading Australian banks in negotiating a loan facility and working capital facility for the acquired Sigma pharmaceutical business.
	• The Chief Financial Officer – Australia has engaged with the Australian tax office which has been conducting an audit of the Aspen Australia business.
	• The Chief Executive – Asia Pacific was involved in extended discussions with the Australian competition authorities regarding the Sigma pharmaceutical business.
Latin America	• The Chief Financial Officer – Brazil has been in consultation with the Rio de Janeiro and Espirito Santo state authorities regarding potential tax incentives for a new manufacturing facility.
	• The employees of the Mexican business engaged in a drive to collect toys which were donated to foster homes.
Rest of the World	• The Chief Executive – Aspen Global conducted discussions with the Mauritius Board of Investment to facilitate occupational permits, and to discuss other matters relating to Aspen and Aspen's employees.
	• The Strategic Business Development and Pharmaceutical Affairs Executive met with the Works Council in Bad Oldesloe to discuss a new management structure of this site.
	• The Chief Executive – Aspen Dubai has consulted with the regulatory authorities in Saudi Arabia and the United Arab Emirates regarding various matters.

Sustainability Report

A message from the Risk & Sustainability Committee Chairman

In keeping with the values and principles of the Group, Aspen conducts its business with due care and commercial wisdom, enabling it to meet expectations of its stakeholders and to develop a compelling investment case for its investors and business partners.

As part of the dynamic and challenging global pharmaceutical industry, Aspen endeavours to continue creating wealth for its investors, providing a stimulating and rewarding working environment for its employees, conserving resources such as water and energy and uplifting the underprivileged communities in South Africa through its CSI programmes. Aspen supplies life-sustaining and affordable medicines of a high quality to customers on six continents and seeks to increase access to affordable pharmaceutical products across its geographies. The Group recognises its growing position of influence in the global pharmaceutical industry and accepts its corporate social responsibility to make a difference to healthcare management in supplied markets.

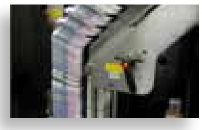
Sustainability management is ingrained in Aspen's culture. The Group's pioneering and entrepreneurial culture is applied in a calculated manner to develop and implement strategies which add future value to a robust corporate foundation. In so doing, the Group is constantly cognisant of its responsibility to its identified stakeholder groups.

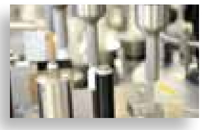
During 2010, the Group initiated its sustainability reporting process in alignment with the global sustainability reporting frameworks, including the Global Reporting Initiatives ("GRI"). Further steps were taken during 2011 to enhance this process. Aspen is pleased to have qualified for inclusion in the JSE Ltd's Social Responsibility Index. During 2011, the South African business also participated in the CDP assessment, thereby further increasing the transparency of its sustainability programmes.

I take this opportunity to thank the members of the Risk & Sustainability Committee who have diligently committed themselves to developing a better understanding of emerging trends in sustainability reporting protocols to steer the Group's initiatives progressively.

The Group's Sustainability Report period correlates with the 30 June 2011 financial year end and includes its South African, SSA and International business segments. To the extent that information collected after year-end supports initiatives which were in place at year-end, these subsequent events are disclosed. The 2011 Sustainability Report is self-assessed at GRI Level C compliance. As the Group's sustainability reporting journey evolves, steps will be taken towards enhancing the underlying reporting process, building the history of KPIs, benchmarking of targets for material indicators across the Group and for promoting greater stakeholder inclusivity to create a more consistent base of information which can be used to identify, analyse and interpret trends meaningfully. Once these objectives are satisfactorily achieved, consideration will be given to obtaining external assurance on material aspects of the report.



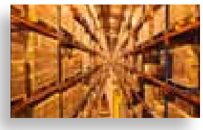
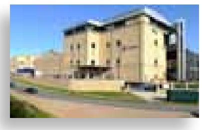





Key sustainability themes are covered in the 2011 Sustainability Report and have been set out as follows:

Key sustainability theme	Page
Sustaining life and health through quality and affordable medicines	101
Adding value to stakeholders	102
Revenue growth for the future	104
Geographic diversity	106
Cost-competitive production	107
Maintenance of financial health	109
Creating an environment in which our employees can thrive	110
Contributing to the health of the community	117
Conserving scarce resources	119
Playing a role in preserving the environment	120
Referenced GRI standard disclosure profile	125

Rafique Bagus
Risk & Sustainability Committee Chairman
21 October 2011



Sustainability Report continued

Message from the Group Chief Executive

Sustainability management is an inherent part of routine business management processes at Aspen. Aspen has become an internationally recognised pharmaceutical brand and a business partner of choice. This can be attributed to the values of integrity, innovation, excellence, commitment and teamwork which underpin the Aspen culture and each individual who represents the Group.

Aspen remains resolute in adding value to stakeholders by manufacturing and supplying high quality, affordable medicines to its worldwide customer base. Aspen continues to invest in a pipeline of relevant products to address disease treatment in its key regions. In support of its commercial strategy, the Group has invested more than R2 billion over five years in enhancing and diversifying its world-class manufacturing facilities in South Africa. The continuous improvement programmes at the facilities have given due consideration to environmental management and health and safety improvement projects.

Aspen has been the leading supplier of ARVs to the domestic state tender since 2005, thereby helping more than one million HIV/AIDS patients in South Africa to fight the disease. Aspen's slogan, "Healthcare. We Care" supports the Group's investment in developing healthcare infrastructure and growing the scarce skills pool of doctors and nurses in South Africa thus assisting in the provision of longer-term solutions to the country's complex socio-economic challenges. The Mandela Day campaign was inaugurated by Aspen's Johannesburg office on 18 July 2011, in response to former President Nelson Mandela's appeal to South Africans to make a meaningful difference in the lives of the underprivileged communities in the country. Aspen employees voluntarily invested their time to renovate sections of the Rekopane Inclusive Development Centre for mentally and physically disabled children in Gauteng.

Since 2010, the Group has been proactive in formalising sustainability reporting processes in alignment with the principles advocated in the King III report and global sustainability reporting best practice. As in everything we do, Aspen will aim to continuously refine the relevance and quality of its Sustainability Report.

Stephen Saad
Group Chief Executive
21 October 2011






SUSTAINING LIFE AND HEALTH THROUGH QUALITY, AFFORDABLE MEDICINES

For more than 160 years, Aspen and its predecessor companies have reliably supplied medicines of a high quality to its customers. Aspen is proud of this heritage. From the strength of this humble foundation in South Africa the Group has been able to confidently build a multinational pharmaceutical business. Aspen supplies products to a significantly expanded base of customers in more than 100 countries. The product portfolio for each territory is carefully selected with consideration to the prevalent disease profiles, level of potential demand for the product in the target territory and the feasibility of such product supply.

By their nature, generics offer a cheaper alternative to patients and healthcare regulators in most pharmaceutical markets are favouring generic substitution in preference to funding higher priced originator brands. It should be understood that generic molecules are able to be launched only after originator product patents expire. Aspen's product pipeline represents acquired or developed intellectual property for generic alternatives to existing originator molecules. Products in the pipeline are at various stages in the process of registration as an authorised medicine. New generics products are launched only after regulatory approval is received and patent expiry is confirmed. This includes regulatory approval of artwork and packaging in accordance with registration requirements in each territory. This full process can take up to five years.

Without exception, products are manufactured at accredited facilities only. Details of Aspen's own manufacturing facility accreditations can be found on page 7. Once a product is launched, stringent controls are in place throughout the manufacturing and distribution value chain to ensure that the product quality complies with specified regulatory standards and maintains its efficacy throughout its product lifecycle. Aspen's sales representatives or appointed third-party agents engage with prescribing doctors and dispensing pharmacists to monitor and evaluate customer feedback on the quality and efficacy of Aspen's products. Corrective action is prioritised where necessary.

Aspen is the leading pharmaceutical company in South Africa and Australia, having secured the confidence of prescribing doctors and pharmacists. In South Africa one in four script lines dispensed by pharmacists is for an Aspen product and in Australia one in seven scripts written is for an Aspen product. Aspen has a unique business model in these territories where it offers a "one-stop-shop", comprising a comprehensive portfolio of branded, generic, OTC and consumer products to customers which extend across a broad range of therapeutic categories.

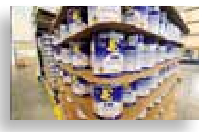
In Latin America, Aspen's private sector strategy was successfully embedded during 2011 and Aspen's market share is currently ranked 67th, 50th and 78th in Brazil, Mexico and Venezuela respectively. Niche branded, generic and OTC products are offered to customers in this region. The relatively low market share held by Aspen in the Latin American territories provides significant scope for growth in this region.

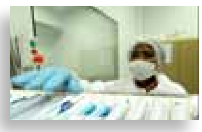
In 2009, Aspen strategically expanded its SSA footprint through the formation of the Collaboration which added to the Group's East African business, Shelys, acquired in 2008. The current GSK portfolio mainly offers antibiotics and respiratory drugs which are sold across the entire territory. The synergy of this Collaboration will be further realised when Aspen's pipeline of SSA-relevant products is launched, commencing in 2012. Independent IMS information is not available for SSA territories and, as a result, Aspen's relative market position is not measured. Based upon available information, Aspen believes the Collaboration is the leading supplier of high quality medicines in SSA.

A portfolio of global brands is distributed into world markets providing access to these important medicines in approximately 100 countries. These global brands comprise 15 originator products, 12 of which were acquired from GSK and three of which are under licence from Iroko Pharmaceuticals Inc. These brands are post-patent and target specific treatment regimes such as oncology, gout, hypothyroidism, hypertension and cardiovascular conditions.

During the year, Aspen recorded three product recalls. Two of these recalls related to older products which have subsequently been reformulated to meet increased specifications for these products. The third case related to incorrect storage of the product by a third party.





Sustainability Report continued

In all instances, timeous corrective action was taken in accordance with regulated policies to complete the product recall and curtail harmful exposure to patients. Aspen is pleased to report that no adverse reactions to patients occurred as a result of the identified stability problems found in these recalled products. No products were recalled by Aspen during 2010.

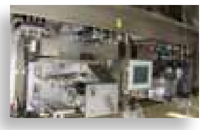
ADDING VALUE TO STAKEHOLDERS

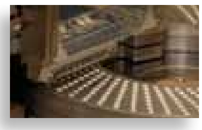
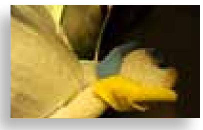
The Group's value added statement for the year ended 30 June 2011 is shown below:

	Growth %	2011 R'million	%	Restated 2010 R'million	%
Net revenue	29	**12 383**		9 619	
South Africa	13	**6 296**		5 575	
Sub-Saharan Africa	7	**470**		441	
International	56	**5 617**		3 603	
Other operating income		**193**		180	
Less: Purchased materials and services	31	**(7 257)**		(5 520)	
Value added from operations	24	**5 319**	**96,5**	4 279	95,8
Investment income		**193**	**3,5**	188	4,2
Total wealth created	23	**5 512**	**100,0**	4 467	100,0
Value distribution					
Employees	24	**1 784**	**32,5**	1 435	32,1
Providers of capital – finance costs	64	**908**	**16,5**	553	12,4
Finance costs		**605**	**11,0**	553	12,4
Capital distribution paid to shareholders		**303**	**5,5**	–	–
Governments		**577**	**10,4**	484	10,9
Reinvested in the Group	12	**2 243**	**40,7**	1 995	44,6
Depreciation and amortisation		**354**	**6,5**	252	5,6
Deferred tax		**36**	**0,7**	43	1,0
Income retained in the business		**1 853**	**33,6**	1 700	38,0
Total value distribution	23	**5 512**	**100,0**	4 467	100,0
Value added statistics					
Number of full-time employees*		**5 168**		4 583	
Ratios					
Revenue per employee ('000)	14	**2 396**		2 099	
Value added per employee ('000)	10	**1 029**		934	
Wealth created per employee ('000)	9	**1 067**		975	
Monetary exchanges with government					
Current taxes (excluding deferred tax)		**546**		416	
Customs and excise duty		**18**		56	
Rates and similar levies		**13**		12	
Gross contribution to central and local governments		**577**		484	
Additional collections on behalf of government					
Employees' taxes		**291**		199	
Net value added tax paid		**588**		326	
		879		525	

The value added statement excludes discontinued operations. Total wealth created from discontinued operations was R450 million for the 2011 financial year (2010: R299 million).

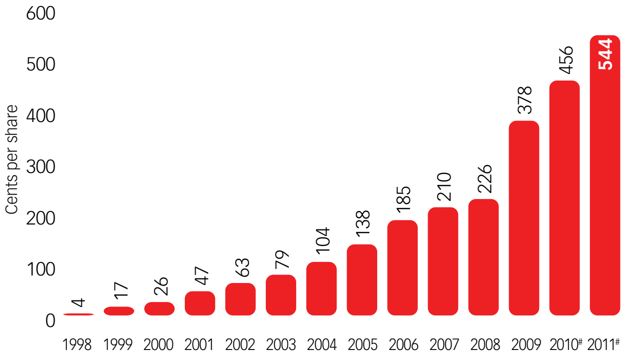
The Group's total number of employees during the year comprises 5 168 (2010: 4 583) permanent employees and 1 151 (2010: 1 484) temporary employees, totalling 6 319 (2010: 6 067).


Aspen has delivered 13 years of consecutive growth to investors and other stakeholders, recording close to 50% CAGR in revenue, headline earnings per share and EBITA* over this period. This growth has been achieved organically through growth of the pre-existing products and business, through successful product introductions from the Group's product pipeline, acquisitively, and through strategic commercial partnerships with leading multinational pharmaceutical companies.

Growth in headline earnings per share since listing
CAGR = 46%

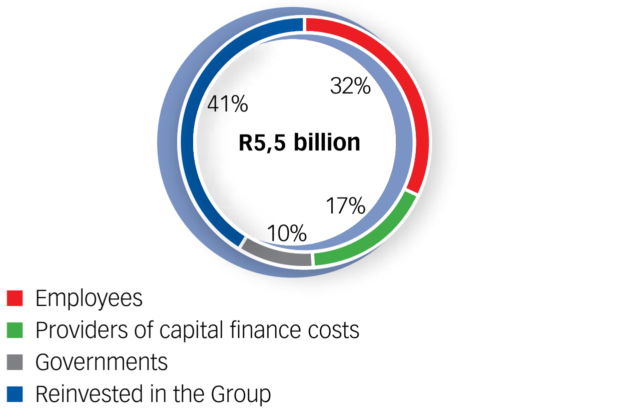


#Normalised headline earnings per share

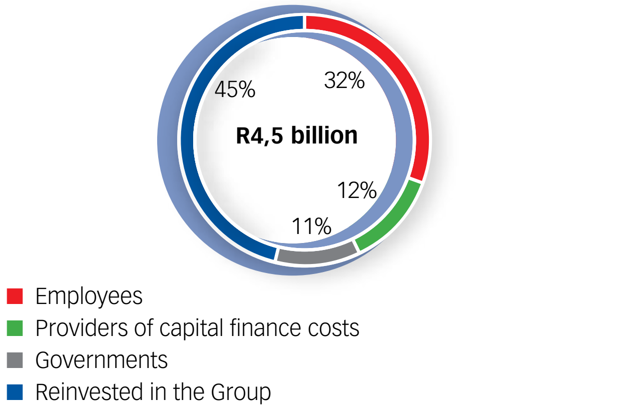
Aspen has delivered CAGR of 29% to shareholders who have remained continuously invested in the company since 1 February 1999. An investment in Aspen of R10 000 on 1 July 1999 would have been worth R246 418 on 30 June 2011 with reinvestment of distributions to shareholders. The value of the investment would hence have grown by 25 times over 12 years.

In 2011, the Group increased the total wealth created and total value distributed by 23% as evidenced in the value added statement. The largest portion of value distribution remains reinvestment in the Group with employees being the second biggest recipient of value. The employee efficiency ratios were positive with value added per employee and wealth created per employee both rising by 10% and 9% respectively. The Group paid central and local governments R577 million in taxes, an increase of 19%, and collected a further R879 million in taxes on behalf of governments, an indication of the materiality of the contribution of the Group to the countries in which it operates.

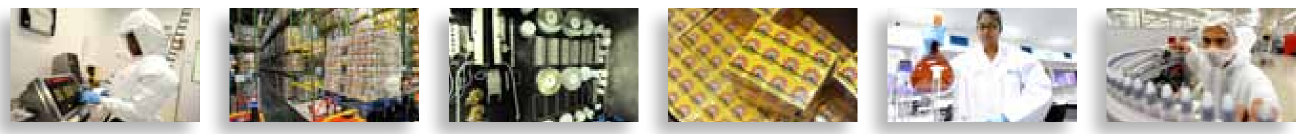
Distribution of wealth created to stakeholders 2011



Distribution of wealth created to stakeholders 2010



**EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.*



Segmental performance and financial highlights
Ten-year review
Ethics statement
Financial review
Business unit reviews
Risk management
Directorate
Corporate governance
Responsible corporate citizenship
Stakeholder engagement
Sustainability report

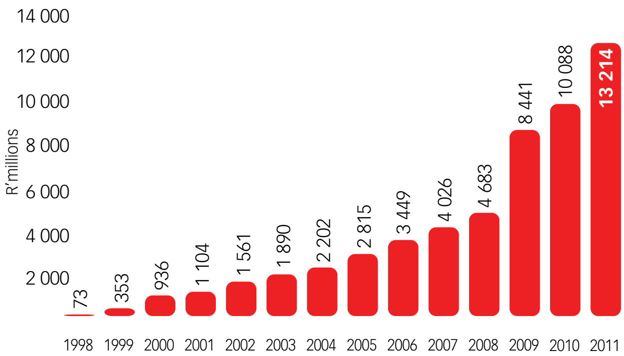
Sustainability Report continued

With consideration to the Group's earnings and cash flow performance during 2011, Aspen declared a capital distribution of 105 cents per share to shareholders. In so doing, Aspen has been able to increase the cash returned to shareholders by 50% at a time of recessionary pressure.

REVENUE GROWTH FOR THE FUTURE

Despite pricing pressures and growing competition in all its markets, Aspen recorded a 31% growth in gross revenue from continuing operations during the year (2010: 20%). Organic business growth was achieved through effective sales and promotional strategies and continuous focus on customer relationship management in South Africa and Australia, this was achieved by redirection of the commercial focus to the private sectors in Latin America and East Africa and through the launch of new products across its territories. As such, the Group maintained its unbroken consecutive annual growth in revenue.

Growth in gross since listing
CAGR = 49%



Investment in a lucrative product pipeline is recognised as a key driver of organic growth in generic pharmaceutical companies. Aspen's product pipeline includes a calculated selection of products which, upon launch, are likely to place Aspen in a strong position to recognise value from the penetration of targeted therapeutic categories. During the year, Aspen took steps to review its new business development and product launch processes with the objective of improving the efficiency and effectiveness with which the value in the product pipeline is converted into successful product launches in all geographies. The inherent potential value of Aspen's five-year product pipeline has been evaluated at USD8,9 billion at 31 December 2010 (31 December 2009: USD6,7 billion) which augurs well for future growth from product launches.



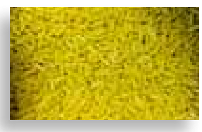


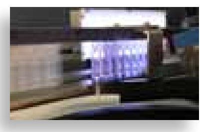

Aspen's product pipeline

Therapeutic category	South Africa USD'million	Asia Pacific USD'million	Latin America USD'million	SSA[2] USD'million	**Total USD'million**
Analgesic	20	152	124	–	**296**
Anaesthetic	9	–	4	–	**13**
Anti-histamine	6	–	29	–	**35**
Anti-microbial	40	58	128	13	**239**
Anti-viral	2	–	17	–	**19**
ARV	62	–	–	–	**62**
Cardiovascular	52	1 489	1 484	3	**3 028**
Central nervous system	49	384	812	2	**1 247**
Cold and flu	49	–	55	–	**104**
Dermatological	–	–	21	–	**21**
Endocrine	46	14	217	1	**278**
Gastrointestinal	49	276	461	–	**786**
Hormonal	4	–	745	–	**749**
Immunomodulator	15	101	82	–	**198**
Musculoskeletal	2	155	52	–	**209**
Oncology	28	267	94	–	**389**
Ophthalmic	3	56	188	–	**247**
Respiratory	7	368	99	–	**474**
Urinary	5	33	426	–	**464**
Vitamin, Herbal and Complementary	6	–	44	–	**50**
Total	454	3 353	5 082	19	**8 908**
Anticipated launch in:					
0 – 2 years	369	2 370	739	19	**3 497**
2 – 5 years	85	983	4 343	–	**5 411**
Total	454	3 353	5 082	19	**8 908**

Important explanatory notes to the product pipeline table:

1. With the exception of SSA, values stated have been derived from IMS. IMS is an independent measure of the pharmaceutical market in the respective territories. Public sector tender sales have been excluded. The IMS values reported records the annual value of the originator's product for the year to 31 December 2010 for products which were in Aspen's pipeline at 30 June 2011.
2. In the absence of IMS data, values for SSA represent Aspen's estimate of the value of the total private sector in East Africa per molecule.
3. In assessing the potential value to Aspen of the molecule to be launched, the following needs to be taken into consideration:
(i) The generic equivalent of an originator molecule trades at a discount to the original product.
(ii) The entry of generic products to the market will result in greater competition.
4. Products which are already registered are not included.
5. Products have only been included where Aspen has a physical product dossier in hand. Not all products have been submitted to the applicable regulatory authorities for registration.



Sustainability Report continued

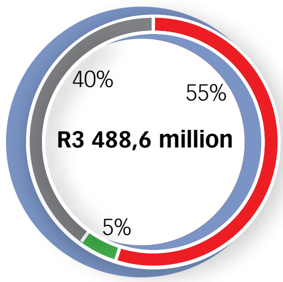
In developed pharmaceutical markets, the healthcare regulators' intention to reduce the average cost of medicines has translated into legislated price reductions in many countries. This pricing pressure has diluted revenue value growth prospects in South Africa, Australia and in Europe. In order to mitigate current and expected pricing risk in sustaining revenue growth, Aspen has targeted its customer base and product offering in most segments. In both Latin America and SSA, there are better margins to be made in the private sectors where doctors and patients have the opportunity to make choices regarding the selection of high quality medicines which carry the premium associated with the assurance gained by choosing a credible brand. Concerted efforts have been made in both regions to dilute the public sector business in favour of growing the private sector exposure. The benefits of this strategy are starting to be realised – the reliance on public sector business has been reduced substantially in both Latin America and at Shelys. The acquisition of the Sigma pharmaceutical business in Australia is a catalyst for new growth prospects at Aspen Australia. Sigma added a generic product range and the highly regarded Herron consumer brand as well as branded and OTC portfolios which complement Aspen Australia's existing offering. Aspen Australia is well positioned to maintain its impressive historic growth record in Australasia and to accelerate its South East Asia expansion strategy with the added competitive advantage of being able to leverage the "made in Australia" label for exports into countries like China, the Philippines, Taiwan and Indonesia. As critical mass is attained through distribution of product portfolios into South East Asian countries, it is intended to establish Aspen representation in these countries. This point has been realised in the Philippines where Aspen has incorporated a company and plans to have sales representation in the field before the end of the financial year.

The acquired global brands have been Aspen's springboard into multiple territories. The investment made in establishing Aspen's international distribution network, into which the global brands are being transitioned, has extended the Group's supply chain capability to a vast number of markets. The established global supply chain can be leveraged for the distribution of additional products from the Aspen pipeline on an individual country, regional or global basis. Licensing arrangements with other leading pharmaceutical companies who are seeking to partner with an established and proven operator such as Aspen, particularly in the Group's area of strength in emerging markets, is another growth avenue under investigation.

GEOGRAPHIC DIVERSITY

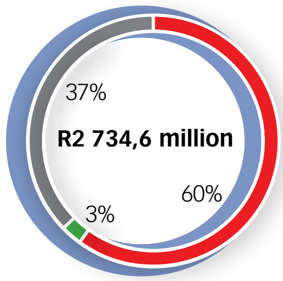
In 2011 the Group generated more gross revenue from outside South Africa than from inside South Africa. It is likely to be the last year in which the South African business contributes more than half of operating profits.

EBITA* by segment 2011



- South Africa (R1 934,1 million)
- Sub-Saharan Africa (R177,4 million)
- International (R1 377,1 million)

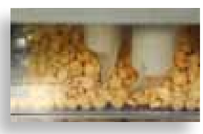
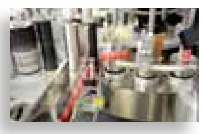
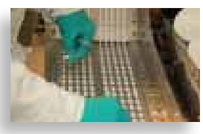
EBITA* by segment 2010



- South Africa (R1 639,0 million)
- Sub-Saharan Africa (R72,3 million)
- International (R1 023,3 million)

EBITA represents operating profit before taking into account the following items: amortisation, capital component of insurance compensation, transaction costs, restructuring costs, impairment of assets and profit on sale of non-current assets.

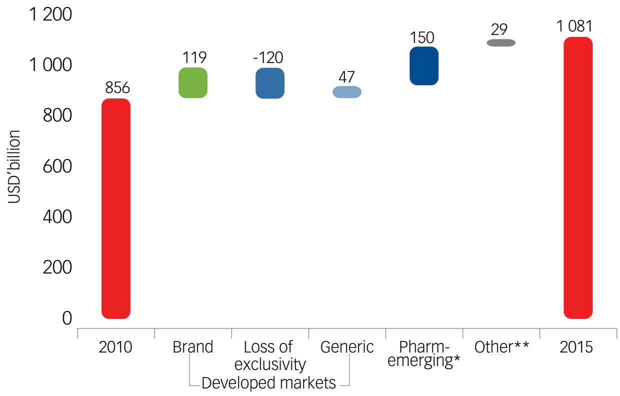



The increasing diversity of profit sources for Aspen provides considerable mitigation against individual country risk, be that political, economic, regulatory, social or currency risk.

Independent assessments of the growth drivers in global pharmaceutical markets through to 2015 place the emerging markets and generics as the material drivers of growth. This fits well with the Group's positioning both from a market focus, and also from the perspective of product emphasis.

Components of change in total spending



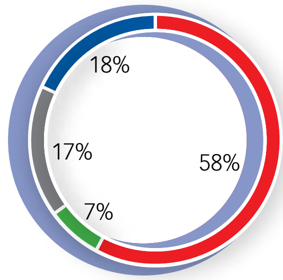
Note: * Pharmemerging markets include Russia, Brazil, China, India, Mexico, Turkey, South Africa and South Korea.
**Other includes Rest of the World +USD27 billion, other developed market growth +USD17 billion, exchange rate change – USD15 billion.
Source: IMS Market Prognosis, April 2011

COST-COMPETITIVE PRODUCTION

Aspen's cost competitiveness is demonstrated through its performance in the South African tender business where it is the leading supplier to the ARV, OSD, TB and Anti-infectives tenders, having secured 41%, 30%, 29% and 21% respectively in these tenders. With pricing being the key factor in awarding these tenders, Aspen's performance is commendable amid strong competition, particularly from Asian companies. Aspen's cost competitiveness has been maintained and, in some instances, improved despite increases in the electricity and wage costs ahead of reported inflation in South Africa. These costs are the major components of pharmaceutical conversion cost.

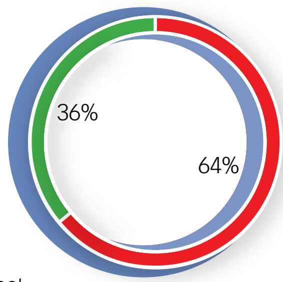
Analysis of aggregate conversion and production cost allocations at the Port Elizabeth site for the 2011 year

Allocation of conversion costs



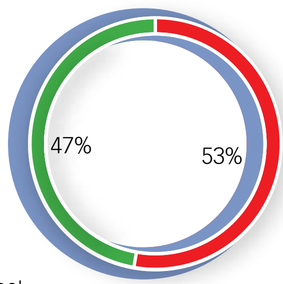
- Labour
- Electricity
- Depreciation
- Other

Allocation of production costs
(including ARVs)

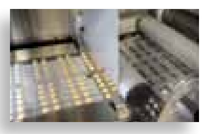


- Materials cost
- Conversion costs

Allocation of production costs
(excluding ARVs)



- Materials cost
- Conversion costs

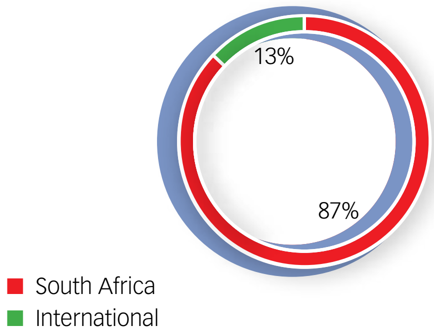


Sustainability Report continued

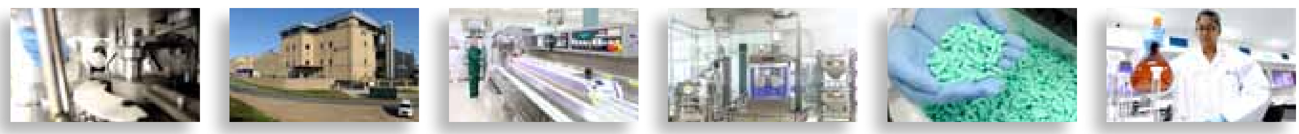
More than R2 billion has been invested in the construction and upgrade of the Group's South African manufacturing sites in Port Elizabeth, East London and Johannesburg over the past five years. This strategic investment has been undertaken in order to accommodate growing demand from both the South African and international markets, to diversify Aspen's manufacturing capability and competence to support future commercial strategies and to achieve enhanced GMP compliance which will leave the Group well positioned for future regulation upgrades. Advanced technologies have been installed at the facilities to increase throughput, enhance the consistency of product quality and improve cost efficiencies.

Increasing throughput improves economies of scale at a facility as fixed manufacturing overheads are absorbed over a larger volume of products. To optimise production planning, predictability of volumes is essential. For this reason, private sector business is favoured to public sector work as demand patterns can be managed with more certainty as state tender business is characterised by volatile buying patterns. This has been recently evidenced in the new South African ARV tender where anticipated volumes have not materialised as Government turned to donor funding which resulted in alternative supply sources. Plans are in progress to transfer volumes from the International businesses to the Port Elizabeth site over the medium term. The project has commenced with the transfer of selected global brands from Aspen Bad Oldesloe and products from the Australian manufacturing sites. In total, four billion additional tablets are targeted to be introduced into the Port Elizabeth site which is currently manufacturing 4,8 billion tablets in Units 1 and 2. This will increase exports from the Port Elizabeth site. Please refer to page 7 where Aspen's manufacturing capabilities and capacities are detailed.

Current allocation of domestic and international volumes



Aspen has homogenised manufacturing capability at the Port Elizabeth and East London sites to reduce complexity and optimise production planning at dedicated sites. In Australia, in pursuit of production efficiency from an underutilised manufacturing base, the Tennyson manufacturing site was disposed of during the year and the Croydon and Noble Park sites will commence decommissioning during the first half of the 2012 year. Products from these sites are being transferred to Aspen's South African manufacturing sites and to third party manufacturers in the Group manufacturing network. A manufacturing strategy is being developed for the Dandenong site to leverage its liquids manufacturing capability to supply products into Australasia and South East Asia. The prospect of supplying the highly regulated Japanese market from this site is also being investigated. In East Africa, the new Nairobi site has been approved to manufacture both pharmaceutical and OTC products for sale into Kenya, Uganda, Tanzania and selected export territories. A strategic decision was taken to dispose of the Campos site in Brazil as Aspen redirected its business away from the product manufacturing speciality of this site. Commercial opportunities are being evaluated to improve utilisation at Aspen Bad Oldesloe and at the Aspen Mexico site. To date, long-term manufacturing agreements have been secured with GSK at both sites.



Aspen's manufacturing facilities are accredited by the appropriate regulatory authorities to produce products for the territories for which manufacture is undertaken. A summary of facility accreditations per site can be found on page 2.

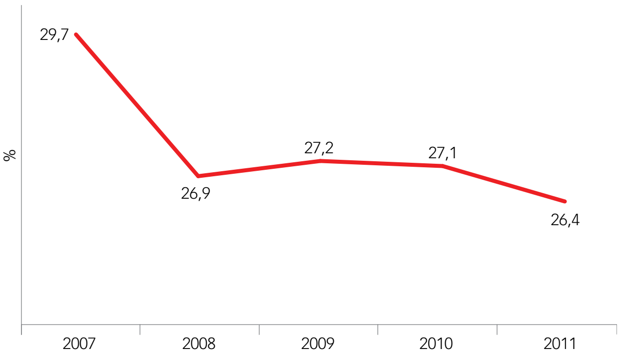
Over a number of years, Aspen has developed a world-class procurement management system. Long-standing partnerships have been developed with accredited suppliers internationally and in South Africa. Foresight redirected Aspen's procurement strategy from Europe and the United States to Asia approximately 10 years ago. This enabled Aspen to evaluate the price, quality and service levels of a large base of new and emerging suppliers over a protracted period of time. Today, alternative suppliers are registered for most key raw materials and Aspen's accumulated procurement intelligence secures optimum benchmarked pricing for APIs acquired from international and domestic suppliers for products manufactured at any of the Group's sites.

The ongoing optimisation and effective management of materials and conversion costs makes Aspen a formidable and cost effective pharmaceutical manufacturer. These manufacturing best practices are being transferred to Aspen's international manufacturing sites in Europe, Australia and East Africa.

MAINTENANCE OF FINANCIAL HEALTH

The Group grew its operating profits by 27% which is almost in line with the 29% growth in net sales. This was achieved despite depressed pricing conditions in key markets and intense competition in all markets. Overall EBITA* margins remained generally stable. Stringent focus on cost-containment initiatives without compromising product quality, customer service and business excellence have been implemented effectively by regional management teams across the Group. The ongoing process of transitioning of the global brands to Aspen's distribution network reduced international margins, as anticipated, and was the primary cause in the slight lowering of the Group EBITA* margin. However product cost-improvement projects as described in the paragraph above should improve international margins over the next four years. In South Africa, increased wages and utility costs were not reimbursed through the SEP increase mechanism. However, this was more than offset by realised production efficiencies and procurement savings which aided the EBITA* margin percentage in South Africa to improve to 31% from 29% in 2010.

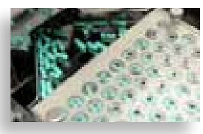
Group EBITA* margin %

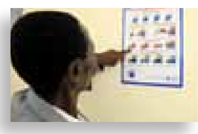


The Group's strong cash generation was again demonstrated as Aspen was able to convert 107% of its profit to operating cash flows in 2011 (2010: 104%). Normalised operating cash flow per share improved by 23% to 580,9 cents per share and working capital as a percentage of revenue was reduced to its lowest level in five years, at 22,5% from 25,3% in 2010. Working capital indicators are closely measured in all businesses. Continuous improvement projects are in progress to improve financial reporting systems in Latin America and East Africa. Demand management systems across the Group are being reviewed and updated to improve forecasting and demand management which, in turn, will provide improved stock management tools.

Total debt in the Group increased from R3,4 billion in 2010 to R6,7 billion, entirely as a consequence of the acquisition of the Sigma pharmaceutical business. Net borrowings (net debt less the liability related to the BBBEE preference shares due for conversion to equity in June 2012) at the year-end amounted to R6,3 billion. Considering that the cash cost of the purchase of the Sigma pharmaceutical business was R5,9 billion, this

*EBITA represents operating profit from continuing operations before amortisation adjusted for specific non-trading items as set out in the Segmental Analysis on page 141.

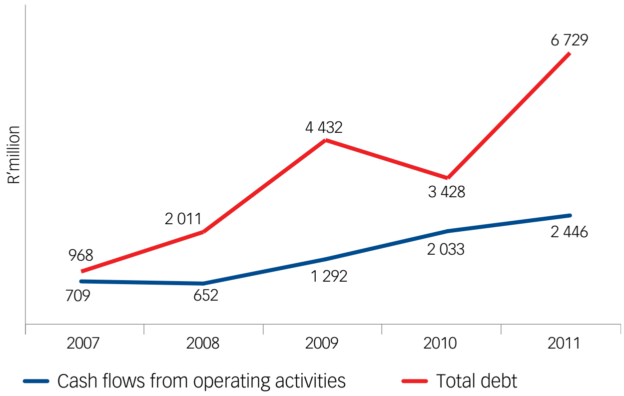





Sustainability Report continued

indicates just how little debt would have remained had the Group not undertaken this acquisition. At year-end the net interest paid was covered eight times by operating profit before amortisation, well above the Group's internal threshold of five times covered. New funding arrangements have been agreed with the Group's principal funders which will allow each of the South Africa, SSA, Asia Pacific and International segments of the business to pursue independent funding arrangements secured by the cash flows of the region concerned. None of the Group's assets are encumbered. The sound funding arrangements coupled with strong cash generation puts the Group in a position where it can significantly increase borrowings to finance appropriate future investments.

Debt and liquidity trends



The Group's economic sustainability is in good health. Organic growth opportunities are in place, particularly with further value to be unlocked from the acquisition of the Sigma pharmaceutical business in Australia, this is reinforced by an exciting product pipeline for all regions. The geographic diversity of the Group counter-balances regional risks and exchange rate exposures. The particular emphasis in emerging markets puts Aspen in territories which are anticipating robust pharmaceutical growth over the next few years. A prolonged period of investment in manufacturing facilities has put the Group in a sound GMP position and enabled progressive improvement in manufacturing efficiencies which has assisted to protect margins despite downward pricing pressure. Strong operating cash flows support rapid de-gearing of the business. Together with sound funding arrangements this gives Aspen the platform to make further investments in support of its strategy to expand the markets it occupies and the product portfolio it offers.

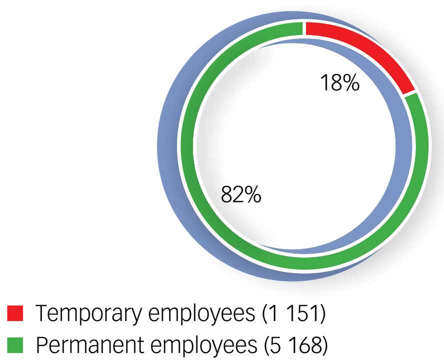
CREATING AN ENVIRONMENT IN WHICH OUR EMPLOYEES CAN THRIVE

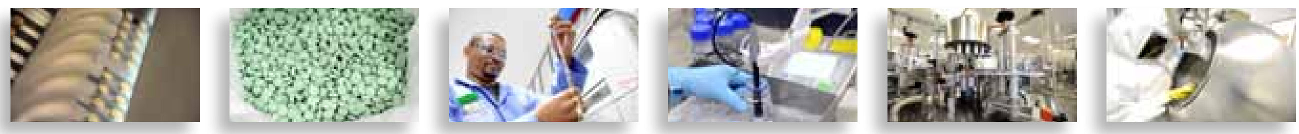
Nurturing and managing our employees

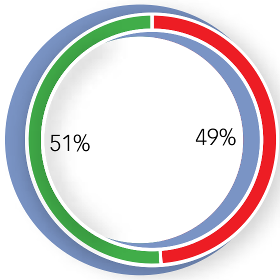
With more than 6 300 employees across Africa, SSA, Asia Pacific, Latin America and Europe, Aspen's human capital represents a diverse group of cultures, languages and competencies. Aspen's employees are passionate, diligent, committed, loyal and biased towards action in accordance with the Group's values. Integrity, accountability and teamwork are promoted in working towards achieving business objectives.

The Code of Conduct advocates that all people, including employees, should be treated with fairness, equality and respect to foster an open, transparent, progressive and trusting environment which is free from prejudice, discrimination, bias, harassment and/or violation. This ensures that all employees are treated equally, irrespective of gender, race, physical health, sexual orientation and individual belief systems. There is no discrimination against genders – males and females are given equal opportunities to progress within the Group. At year-end, females comprised more than 51% of the Group's workforce. Approximately 80% of the Group's employees are permanently employed.

Analysis of 2011 employees base: 6 319







- Male employees (3 096)
- Female employees (3 223)

Owing to the rapid expansion of the Group, the integration of consistently applied human resources policies and procedures remains in progress and a central Group human resources structure has been established with this intent. The Group human resources strategy has been revised and approved. The roll out of this strategy will follow a phased approach and implementation has commenced in South Africa. Once the strategy is satisfactorily embedded in the South African business, it will be rolled out to each of the international companies in turn. In the interim, formal decentralised Human Resources departments are in place at each of the Group's South African, SSA and International business entities. Employees are managed in accordance with existing policies and procedures which are considered to be fair and relevant.

A human resources Forum, comprising senior Group executives, has been established and meets quarterly to monitor and review the progress of the human resources strategic plan for South Africa. The human resources strategic priorities target the following areas of focus:

- Mastering the fundamentals – revising and standardising human resources policies and procedures in line with best practice
- Driving organisational effectiveness and efficiency – measuring and managing employee performance against the desired organisational behaviour required to align business activities with the Group's strategic objectives; and
- Acquiring, growing and retaining the best talent – attracting, developing and retaining a sustainable talent pipeline to meet organisational needs and groom future Aspen managers and leaders.

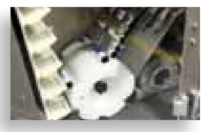
Aspen recruits its employees through reputable recruitment agencies and all candidates are considered with reference to defined job specifications. In South Africa, preference is given to historically disadvantaged individuals in accordance with Aspen's transformation objectives. An Employment Equity Committee is in place at each of the South African business units which meets twice per month to monitor the status of compliance to BBBEE Codes.

The key performance assessment ("KPA") process is in place throughout the Group for managers and key staff. This process takes place at least annually to define and direct annual functional objectives for managers and professional employees. Performance incentives and annual salary increases for assessed staff are determined with reference to the completion of individual KPAs. Development and training needs are also identified during this process. In South Africa, a revised KPA process has been rolled out to all managers. The Group Talent Development Manager conducted structured training sessions for all managers in South Africa during the year to ensure effective implementation of the new process.

Owing to the defined entrepreneurial culture at Aspen, succession planning is an acknowledged imperative. The Board's Remuneration & Nomination Committee monitors the adequacy of succession plans for senior executives. In South Africa, the formalised succession planning policy requires succession plans to be in place for the top three tiers of management. Departmental succession plans for the South African business units are monitored and approved by the Head of South African Operations or the Chief Executive Officer South Africa, as appropriate. Succession plans are in place for key executives and managers in the International businesses. The adequacy of these succession plans is monitored by the responsible Group executives. In a similar manner, retention plans are in place for identified key staff members in each business. Retention plans are tailored in accordance with individual circumstances to secure the employee's services to the Group over the long term.








Sustainability Report continued

Employment indicators

Employee movement	Group	South Africa	SSA	International
Number of employees at 1 July 2011	**6 067**	**3 933**	**890**	**1 244**
Appointment of employees	**907**	**528**	**51**	**297**
Addition of employees through acquisitions	**805**	**38**	**–**	**798**
Termination of employment contracts	**(1 386)**	**(733)**	**(225)**	**(428)**
Transfers to international operations	**–**	**(1)**	**–**	**1**
Retirements	**(39)**	**(28)**	**(11)**	**–**
Medical retirements	**(17)**	**(9)**	**(7)**	**(1)**
Deaths	**(18)**	**(16)**	**(2)**	**–**
Total Group employees at 30 June 2011	**6 319**	**3 712**	**696**	**1 911**
– Percentage permanent employees	**82%**	**79%**	**61%**	**93%**
– Percentage temporary employees	**18%**	**20%**	**39%**	**7%**
Average employee turnover percentage per region	**16%**	**12%**	**16%**	**23%**
Average employee turnover percentage per region (2010)	**16%**	**9%**	**16%**	**46%**

The acquisition of the Sigma pharmaceutical business added a total of 798 employees in Aspen Australia, of which 682 remained employed at 30 June 2011. In South Africa, Aspen acquired African Health Networks (Pty) Ltd and its subsidiary (collectively "AHN") with effect from 1 June 2011 as a result of which 38 employees were added to Aspen's South African business and remained with the Group at year-end.

A significant portion of the termination of employment contracts for the Group comprised expiration of temporary employment contracts in South Africa, SSA and the International businesses. At the South African facilities, automation of processes through the facility expansion and upgrade projects resulted in no job losses of permanent staff during the year. However, reliance on contracted employees was reduced. The restructuring of sales representative teams and dilution of public sector business in the Latin American businesses comprised approximately 8% of total terminations.

The Group's 2011 employee turnover has been calculated with reference to total employee departures as a percentage of average employees. Due to the change in the formula adopted, comparatives have been restated. Aspen aims to maintain its employee turnover below industry norms. Aspen's average staff turnover of 12% is below the pharmaceutical industry norm for South Africa of 15% as measured by Deloitte. These ratios will be benchmarked against industry statistics which become available for future comparability. Concerted efforts have been made to retain scarce skills such as pharmacists and chemists in the South African business through benchmarking of salaries and expanding the role of pharmacist assistants. Skills development initiatives continue to be promoted with tertiary institutions such as the Nelson Mandela Metropole University and Rhodes University in the Eastern Cape, South Africa. Outside South Africa, the restructure of sales representative teams in the Latin American businesses was the key reason for the higher reported staff turnover ratio. A total of 17 employees retired due to ill-health and 18 employees in the Group passed away as a result of natural causes and non-work-related accidents. Endeavours will be made to benchmark the employee turnover ratios in the International businesses against relevant industry statistics which become available to aid future comparability.






Training and developing our people

More than 4 000 employees received training across the Group, at an average spend of R2 560 per employee.

	Group
Training spend June 2011	**R10 866 715**
Number of employees trained	**4 244**
Average investment in training per employee	**R2 560**
Training spend June 2010	R9 220 954
Number of employees trained	3 130
Average investment in training per employee	R2 946

The quantified training spend represents externally procured training. Training spend per employee was less than that incurred in 2010 as a consequence of an initiative undertaken to eliminate ineffective third party training programmes from Aspen's training programmes in South Africa. The cost of internal training is not included in this value. Steps are intended to be taken towards developing a reliable system to measure and quantify the cost of internal training in which extensive investment is made. Training programmes conducted during the year focused on developing and enhancing functional skills, GMP update training, health and safety, information systems and management/leadership training. Professional staff across the Group attended professional update training sessions, as required, to maintain professional competence. Legal compliance training sessions were also conducted to maintain an awareness of relevant legislative updates. In this regard, formalised Companies Act and Competition Law training was arranged for all senior managers and Group Legal Compliance staff in South Africa. A summary of international competition regulations was disseminated to managers across the Group. Once read and understood, managers were required to sign a declaration acknowledging an awareness of and compliance to competition legislation.

In Aspen Australia, the main area of focus has been the completion of the integration plan for the Sigma pharmaceutical business, including the integration of the IT and supply chain systems. Post-integration, the training needs of the expanded employee base will be assessed to develop a skills matrix.

Functional and compliance update courses continue to be conducted at Aspen Bad Oldesloe where the level of skills and competence employed is inherently high. At Shelys and Aspen Brazil the implementation of the new Enterprise Resource Planning systems was prioritised during the year and hence externally procured training was limited. In East Africa, preliminary assessment sessions for world class manufacturing, fire fighting and HIV/AIDS awareness took place during the year. In Brazil e-learning courses were introduced in respect of marketing strategies, product attributes and marketing dynamics. Administration staff at Aspen Venezuela attended English courses. In addition in-house sales training was conducted for all sales representatives in the Venezuelan business whilst in Mexico employees were trained on GMP, health and safety and senior manager coaching.

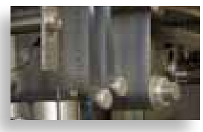
Building the skills pool and developing future Aspen leaders

Management and executive development training programmes are important in preparing business leaders capable of delivering the Group's medium- and long-term strategic objectives. Select executives and senior managers are identified and developed to improve the alignment of their personal aptitude, experience and behavioural profile with the organisation's strategic intent.

In South Africa, management development programmes are designed to support an employee's transition into supervisory and management positions. Management development training and executive coaching programmes included key modules for managing change, conflict, compliance, discipline, diversity and interaction as well as high-performance coaching. In total, 269 employees participated in these management development programmes.

In South Africa and Brazil, some members of the management team are completing MBA programmes to build management and leadership skills. In Mexico management development took the form of leadership training and life coaching for senior managers.

Aspen encourages furthering the education of existing employees across all levels of the organisation. In South Africa






Sustainability Report continued

a total of 61 bursaries were awarded during the year in the following fields:

- Accounting and Finance
- Pharmacy
- Chemistry
- Operations management
- Engineering
- Marketing

In total 228 learnerships are supported in South Africa, 96% of which represent historically disadvantaged individuals. During the year, 103 learners in South Africa successfully completed learnerships and apprenticeship programmes. Learnership programmes target the development of a scarce skills pool in South Africa which includes:

- 12 productivity learnerships;
- 12 mechanical apprenticeships;
- 20 pharmacist assistants learnerships;
- 23 team leader learnerships; and
- 36 chemical operations learnerships.

In the International business, 15 learnerships are in place at Aspen Bad Oldesloe in the areas of logistics, manufacturing and engineering. One learnership is in place at Aspen Venezuela in accordance with legislation. In this country, companies are obliged to subsidise towards school fees for students who, after completing their schooling, join a company for a period of 15 months for practical work experience.

Providing a safe working environment

The Group aims to provide a safe and healthy work environment for all employees and third parties. SHE management practices are in compliance with regulations governing health and safety standards in each territory.

In South Africa, a formalised SHE Management Policy provides an overview of Aspen's SHE objectives and demonstrates the organisation's commitment to improving SHE management in the business. Senior site management takes responsibility for SHE management at all South African manufacturing sites, marketing and sales regional offices and the Durban corporate office. SHE management is implemented and maintained within the South African business with the support and guidance of a National SHE Department for the development of national SHE standards and compliance verification. At FCC, a dedicated Occupational Safety, Health, Environment and Medical Services Manager is responsible for this function. SHE systems and procedures facilitate legal compliance and the management of SHE risks in order to prevent injury, ill-health and pollution of the environment.

The Hazard Identification and Risk Assessment process is applied to identify significant SHE risks in order to eliminate or mitigate hazards in the workplace. In order to contain residual SHE risks to an acceptable level, action programmes are compiled and monitored in accordance with the hierarchy of control measures which include management, engineering, administration and personal protective equipment. All SHE risks are recorded in a SHE Legal Register in accordance with relevant SHE legislative requirements.

A formal plan is in progress to prepare the South African business for Occupational Health and Safety Advisory Services ("OHSAS") 18001 certification. SHE system procedures are being drafted for completion early in 2012, and system implementation will be rolled out thereafter in preparation for system certification during 2013. An external SHE legal audit was conducted in 2011 in order to evaluate compliance with all applicable national, regional and local SHE legislation in South Africa. The results of this external legal review were satisfactory.

During the year, numerous health and safety training courses were conducted for various levels of employees at all South African manufacturing sites. Training modules included safe stacking and storage practices, fire fighting, legal overview of the regulations for hazardous chemical substances, biological agents and noise-induced hearing loss, professional drivers






permit training, the supervision of the loading/unloading of dangerous goods and incident investigation. In addition, SHE SOP training was conducted for a number of key processes.

In the International businesses, the Bad Oldesloe site is already OHSAS 18001 compliant. SHE management systems in the other International and the SSA businesses adhere to relevant legislation and regulations governing business operations in each territory.

Health and safety training was conducted in Brazil, Venezuela and Bad Oldesloe. At Aspen Bad Oldesloe, health and safety procedures and policies were reviewed and updated. Amendments were necessary to incorporate changes to laws and regulations. A review of the health and safety management systems is part of the integration plan for the acquired Sigma sites in the Australian business and will receive focus in the next year as the new manufacturing strategy for the facilities is implemented.

Under the guidance of the Group Head of Operations, consideration is currently being given to the establishment of centralised oversight for health and safety structures for the Group as well as for environmental management. Once developed, the integration of Group health and safety policy, procedures and compliance management systems will be addressed in this universal platform.

The Disabling Incident Frequency Ratio ("DIFR") is used to measure the effectiveness of health and safety management at the Group's manufacturing facilities. The measure is formally monitored at the manufacturing facilities in accordance with the standard formula: DIFR = (number of cases x 200 000 working hours)/(number of hours worked over 12 months) where number of cases includes any work incident impacting an employee's health which results in lost working hours.

	South Africa					SSA	International			
DIFR	Unit 1, 2, 3	Sterile facility	East London	Aspen Nutritionals	FCC	Shelys	Aspen Australia	Aspen Brazil	Aspen Mexico	Aspen Bad Oldesloe
Tolerance	<1,00	<1,00	<1,00	<1,00	1,00	2,00	To be measured from 2012	To be measured from 2012	<1,00	<1,00
Actual	0,29	1,04	0,34	1,52	3,20	2,16	To be measured from 2012	To be measured from 2012	1,20	0,60

Actual DIFR was above the internal tolerance set at certain facilities. Measures have been taken to address the causes thereof.

In Port Elizabeth, an employee was injured during a machine set-up operation. Corrective action was taken to improve the existing machine guarding controls and refresher training on lockout procedures and machine safety was conducted for all setters. Regular preventative maintenance inspections have also been implemented for machine guarding. A contracted occupational medical practitioner has recently been appointed at Aspen Nutritionals to give on-site assistance to employees following an incident. It is expected that this will reduce the quantum of time lost as a result of employees having to go off-site to receive medical attention. At FCC, an employee was injured during manufacturing. In order to improve safety at FCC, facility enhancement projects include an improvement in contained manufacturing capability. Improvements are also being made to engineering controls to prevent employee exposure to hazardous substances. In addition, health and






Sustainability Report continued

safety training at FCC is receiving increased focus at Shelys in East Africa. Steps have been taken to improve controls around post-incident absenteeism. Employees are encouraged to return to work as soon as possible after injury and employees are offered lighter work until full recovery of the injury. Owing to the high rate of incidents recorded during the year at Aspen Mexico, increased focus has been directed to conducting health and safety awareness and training programmes, including SHE SOP training for production, warehousing and administrative staff. No work-related injuries gave rise to an employee's death during the course of the year.

Promoting employee wellness

In South Africa, permanent employees are all members of one of three medical aid schemes, partly sponsored by Aspen. Clinic services for occupational medical surveillance, in compliance with statutory requirements, are in place at all manufacturing facilities. Primary healthcare services and employee assistance programmes are reasonably well established at the Port Elizabeth manufacturing site and are currently being reviewed for standardisation across the South African Operations. At FCC, primary healthcare services are provided to employees and occupational health and safety medical assessments are conducted in accordance with legislative requirements.

In East Africa, annual medical assessments are conducted for all employees in accordance with Tanzanian and Kenyan regulations. Health awareness seminars take place frequently and HIV/AIDS voluntary counselling and testing services are also provided.

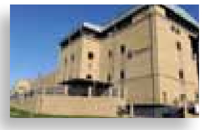
At Aspen Bad Oldesloe, Aspen contributions are made towards employee medical insurance in accordance with German regulations. An on-site occupational physician is available on a weekly basis to provide free comprehensive medical services to employees. Employees at Aspen Brazil receive a medical subsidy and a first-aid centre is available on-site to assist with basic workplace healthcare needs and to promote healthcare awareness. Employees also have access to a nutritionist. Employees at Aspen Mexico receive a fully subsidised medical plan. Medical assessments are provided to all staff at Aspen Venezuela who are entitled to healthcare insurance on a half-yearly basis.

Supporting HIV/AIDS-infected employees and promoting awareness

Aspen continues to be a significant contributor to HIV/AIDS management programmes in South Africa through the supply of cost-effective ARVs. This commitment is also directed internally in Aspen's own HIV/AIDS Policy, voluntary testing, counselling support programmes and HIV/AIDS education for its employees in South Africa.

The HIV/AIDS Policy ensures the fair, ethical and equitable treatment of infected employees and specifically prohibits any discrimination based on an employee's HIV/AIDS status, in particular, when considering promotion or other career opportunities. The HIV/AIDS Policy is reviewed every three years to comply with the latest medical and legal guidelines and prescribes confidentiality of the employee's status. Employees are encouraged to seek medical treatment, counselling, ongoing testing and assistance from support groups and HIV/AIDS awareness programmes are conducted on an ongoing basis. The Group disseminates information booklets on the prevention, care, support and treatment of HIV/AIDS. Posters, leaflets, T-shirts and caps are distributed from Khomonani Resources Centre and QualSA.

Aspen has appointed independent health risk management specialist, QualSA, to manage the HIV/AIDS programmes in South Africa. Through QualSA, HIV/AIDS testing is offered to all employees in the South African business every two years. Voluntary HIV/AIDS testing conducted for employees during 2010 reported that 5% (2008: 4%) of employees tested in South Africa were found to be HIV/AIDS positive. A total of 1 202 employees participated in the voluntary testing process conducted during 2010 (2008: 1 671). Infected employees have access to free medical treatment, counselling, ongoing testing and group assistance. QualSA also provides support to



employees and their immediate family members who are not covered by a medical aid.

A "Knowledge, Attitudes, Perceptions and Behaviour" survey is conducted annually which provides information on employees' perception of HIV/AIDS in the workplace. The results of the confidential survey are used as input into the relevant intervention programme planned for the following year.

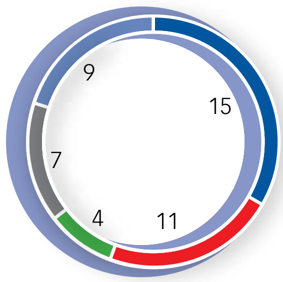
Aspen acknowledges World AIDS Day on 1 December and World Tuberculosis Day on 24 March. Playing cards displaying HIV/AIDS and TB messages and facts were distributed to employees in South Africa and visual media was used to raise awareness. Informational booklets received from peer educator groups were delivered to Aspen's CSI beneficiary, MaAfrika Tikkun in Johannesburg.

CONTRIBUTING TO THE HEALTH OF THE COMMUNITY

Aspen's roots are in a country where there is a dire lack of affordable healthcare facilities and where HIV/AIDS and TB impact a significant portion of society. This has an influence on the sustainability of health in general in South Africa and Aspen is cognisant of its ability to make a meaningful difference to the lives of underprivileged South Africans. Aspen's CSI initiatives focus on supporting programmes which target the delivery of primary healthcare in rural areas, HIV/AIDS and TB programmes and healthcare education in South Africa. CSI contributions are largely made to provide financial assistance for the building of primary healthcare clinics and subsidising operating costs at these clinics.

The Group's extensive CSI projects directly and indirectly supported approximately 879 000 beneficiaries in South Africa (2010: 780 000 beneficiaries) during the year through 46 South African-based CSI projects (2010: 39 projects).

Number of CSI projects by project type: June 2011



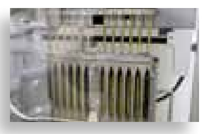
- HIV/AIDS
- Community upliftment
- Healthcare
- Education and training
- Clinics

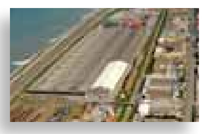
Contribution towards the development of sustainable primary healthcare facilities

Two new primary healthcare clinic development projects were inaugurated during the year in the Mpumalanga province, South Africa. The Utah Clinic was opened by South Africa's Minister of Health, Aaron Motsoaledi, in May 2011. Aspen contributed towards the construction costs of this clinic in conjunction with the Mpumalanga Department of Health and other corporate institutions. The extension to the Volksrust Clinic was completed in February 2011 to expand the facilities offered to beneficiaries. Funds have been pledged for the construction of the Thathazakhe Clinic in KwaZulu-Natal. Construction is estimated to be completed in 2012. Aspen also provided ongoing financial assistance to:

- the Daggakraal Clinic in Mpumalanga;
- the Engobo Clinic and the Wells Estate Wellness Centre in the Eastern Cape;
- the Mduku and Mnqobokazi Clinics in KwaZulu-Natal; and
- the Namahadi Clinic in the Free State.





Sustainability Report continued

Assisting in the combat against the HIV/AIDS pandemic

HIV/AIDS initiatives included continued financial assistance to:

- The Alexandra Health Centre;
- Community Chest: Port Elizabeth;
- Emmanuel Haven Wellness Centre;
- Grahamstown Hospice;
- Hope Cape Town Association;
- Ikhwezi Lokusa Wellness Centre;
- Khanya Family Centre;
- Khotso-Caritas Care Centre;
- Missionvale Care Centre;
- The National Department of Health;
- SA HIV Clinicians Society;
- South African Business Coalition on HIV and AIDS;
- St Lukes Combined Hospices;
- The House of Resurrection; and
- The Waterberg Welfare Society.

Supporting community upliftment projects

Aspen contributed towards community upliftment projects managed by the following organisations:

- Community Based Prevention and Empowerment Strategies SA;
- Dr George Mukhari Hospital;
- Gauteng Health and Social Development;
- MaAfrika Tikkun;
- Mercy Clinic;
- Peace of Educational Mind;
- Rekopane Inclusive Development Centre;
- Starfish Foundation;
- Tapologo Orphans and Vulnerable Children;
- The Haven Wellness Centre; and
- Ubuntu Centre.

Increasing access to healthcare services

Aspen continued to support the Soweto, St Francis and St Bernard Hospices as well as the Topsy Foundation for the provision of palliative and home-based care services.

Developing the pool of healthcare skills in South Africa

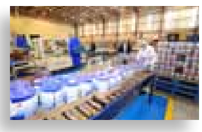
In view of the shortage of healthcare skills in South Africa, Aspen supported education training programmes to sponsor students studying towards medical qualifications such as medicine, pharmacy and nursing. Programmes aimed at the development of commercial skills were also supported. To this end, Aspen continued to support students studying through the Foundation for Pharmaceutical Education at the Nelson Mandela Metropole and Rhodes Universities, the Umthombo Youth Development Foundation in KwaZulu-Natal, the University of Venda and the Wits Initiative for Rural Health Education in Gauteng. During the year, Aspen initiated support of the Expanded Programme on Immunisation by the South African Vaccination and Immunisation Centre at the Medunsa University, for the development of medical skills to administer vaccinations. A contribution was also made to the Centre for Education in Economics and Finance – Africa. The partnership with the South African Military and Defence Services to upskill nurses continued.

CSI contributions by Aspen outside South Africa

In East Africa medicines and consumer products were donated to various charitable institutions and clinics for distribution to those in need. Charities supported include the Dream Centre, the Loco Clinic, Kongongero Children's Home and Mama Ngina Children's Home.

Aspen Australia made a difference to 38 West Bengalese patients through the donation of pain medication and antibiotics to the Doctors without Borders project which performed operations to correct clubfeet. Aspen Australia also participated in relief programmes in territories where natural disasters have occurred. Donations were made towards the Queensland Flood Disaster and Pakistan Flood Appeal. Product donations were made towards the Fiji Island Help project. Aspen Australia made further donations to a number of charitable organisations and community initiatives.



Aspen Global continued to support Haemophilia Week in Mauritius and the SOS Children's Village. Employees at Aspen Mexico collected toys which were donated to needy children at two foster homes in the State of Mexico. Aspen Venezuela supported Fondo Nacional Antidrogas (FONA) – an organisation targeting drug abuse in Venezuela.

Aspen continues to support the St Stephen's Aids Trust, based in the United Kingdom, which aims to promote clinical research into the treatment of HIV/AIDS and related malignancies. It also promotes HIV/AIDS training and awareness throughout the world.

CONSERVING SCARCE RESOURCES

Aspen is committed to reducing its impact on the environment and to this end has implemented processes which are energy-efficient and resource-conserving across the Group. The reduction of energy and water consumption is considered to be a vital contributor to environmental sustainability.

Energy usage

Across all Group sites, electricity is the main source of energy used and, in South Africa, electricity represents approximately 7% (2010: 6%) of production cost. Steam is used in South Africa and, to a lesser extent, at some sites in Australia. The German, Australian and Brazilian facilities also consume gas. Fuel is a minor source of direct energy and is used at FCC and at Shelys. The Group-wide energy consumption measured at Aspen's manufacturing sites is summarised below:

Direct energy source	2011	2010 Restated*	Movement %
Electricity (MWh)	**123 449**	76 786	+61
Fuel (kℓ)	**1 111**	850	+31
Gas (MWh)	**38 873**	17 084	+28
Steam (tons)	**44 278**	27 311	+62

** 2010 information has been restated following a review and re-measurement of the actual 2010 usage data.*

Approximately 25% of the increase in the electricity consumption can be attributed to the inclusion of the Aspen Australia facilities in the 2011 total. The Aspen Australian facilities were acquired with effect from 31 January 2011. Excluding the Aspen Australian sites, consumption increased by 21% against the 2010 comparative base. Full commercialisation of the Unit 2 facility, commercialisation of the high potency suite at the Sterile facility and resumption of production at the Aspen Nutritionals site, following the fire damage which occurred in August 2009, gave rise to this increase in consumption.

Fuel, a minor source of direct energy, is used in South Africa and in East Africa. A full year of production at the new Kenyan facility led to this increase. Increase in gas consumption is exclusively related to the addition to the Australian facilities in 2011. Usage at the Aspen Nutritionals site since recommencement of production in August 2010 led to the increase in steam usage.

Indirect energy consumed by suppliers and service providers is not measured by the Group. Owing to the high reliance on electricity and the high risk of power outages in Africa, back-up generators have been installed to support continuity of IT systems and in core areas in the Sterile facility. At FCC, back-up generators cover all key operating and administrative areas through the use of a central power circuit. Back-up generators are also used in core manufacturing areas at the East African sites.

Energy conservation initiatives

Sites in the South African Operations have embarked on the installation of energy-saving lights in office areas, the Quality Control laboratory, warehouses and selected areas within the factories. In the Port Elizabeth Quality Control laboratory, all high-wattage lights were replaced with energy-efficient lights which use approximately 50% less power. Lights in the main administration building were retrofitted and on/off motion detectors were installed in the administration office area in Port






Segmental performance and financial highlights
Ten-year review
Ethics statement
Financial review
Business unit reviews
Risk management
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Responsible corporate citizenship
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Sustainability report

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Elizabeth. In addition, timers were installed on rotoclones which facilitates the switching off of motors over weekends and when the rotoclones are not in use. The heat recovery function on chilled water units was used to heat up water, which is then used to provide heating for heating ventilation and air conditioning systems for the facility. This has replaced the use of electrical heaters. In total, more than 444 120kWh were saved through these initiatives.

In East London and Johannesburg, high-wattage lights are being replaced with energy-efficient lights in the warehouses as replacement is required. As part of a broader facility upgrade and expansion project at FCC, steps are being taken to install energy-efficient equipment and electrical systems.

In addition, a feasibility study has been commissioned to evaluate the cost-benefit of implementing energy generation and storage technology to serve the Port Elizabeth and East London sites.

The South African Operations management teams are tasked and drive energy-saving awareness across the South African sites. A culture of resource conservation has been established. A target saving of 4% for all energy-saving projects has been set, and relative usage savings are being measured.

Formal energy conservation targets are not currently in place in the SSA and International businesses. At the new facility in Nairobi, energy-saving lights have been installed to reduce electricity consumption. An energy-reduction project has commenced at the Aspen Australia sites. Power monitoring systems have been implemented at the Dandenong site. Electricity usage levels on all sub-mains boards are being monitored to facilitate optimisation of energy usage. Employees in the other international businesses are encouraged to switch lights, airconditioners and electrical equipment off when not required. However, these initiatives are not currently measured and monitored against targets.

Water consumption and recycling initiatives

All water used for business activities is obtained from municipal sources. During the year, 477 351kl (2010: 418 321kl) was used. The acquired Australian facilities led to this 14% increase. Water usage increased moderately at the South African facilities due to the commercialisation of new production areas during the year and resumption of production at Aspen Nutritionals. Following a re-measurement exercise, the usage included in the 2010 Sustainability Report (325 970kl) has been restated.

The South African sites have targeted a 5% reduction in water usage. Progress towards this target has been satisfactory. The Port Elizabeth site has two Reverse Osmosis plants for water purification. On average, the plants reject up to 30% of infeed water which was previously discarded. As a result of the Reverse Osmosis project, the rejected water is now recycled and used to supply the cooling towers and ablution facilities. This project has yielded a 6% saving in water consumption from the municipal feed. A third Reverse Osmosis plant will be fully operational during 2012 and is expected to reduce the amount of water obtained from the municipality by a further 1%.

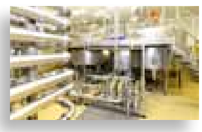
In East Africa, recycled water continues to be used for garden irrigation, and water used to wash bottles was recycled, saving 600kl of water. In Aspen Brazil, the reject rotoclone water is recycled and used to feed the boilers, which saves approximately 24kl of water per year. No water conservation targets have been set in these businesses at this stage.

PLAYING A ROLE IN PRESERVING THE ENVIRONMENT

As a result of the stringent GMP and regulatory compliance requirements governing the pharmaceutical industry, extensive controls are in place to prevent contamination of the air and to prevent exposure of people to harmful substances. Effective air-handling systems are in place which filter and purify the air prior to emission. In addition, the management of pharmaceutical waste is handled in a responsible and compliant manner with the assistance of specialist waste management companies. Effluent management discharge is also carefully monitored and controlled at all facilities in accordance with municipal requirements.





None of Aspen's local or international operations are located in protected areas or areas of biodiversity. In addition, neither the Group's products nor its operating activities are known to have an impact on protected areas or areas of biodiversity. As a result of the strong compliance management systems in the Group, no incidents of environmental non-compliance occurred during the year. Consequently, no related fines or penalties were incurred.

The Group's Environmental Policy was approved in May 2011 and roll-out of the policy has been completed in the South African business. The policy is intended to be extended to the International businesses once a centralised Group environmental management structure has been established to support this objective. Consideration is currently being given to development of this function.

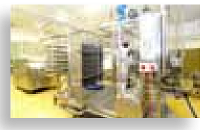
ASPEN ENVIRONMENTAL MANAGEMENT PRINCIPLES

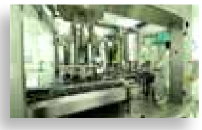
Environmental management, protection and conservation will be incorporated into our value chain and will be promoted by the following principles:

- ensuring compliance with relevant environmental regulations and legislation governing the responsible manufacture and supply of Aspen's products;
- carrying out of environmental risk assessments to identify actual and potential environmental impacts emanating from our operations;
- conducting of environmental risk assessments and/or audits to evaluate the level of environmental compliance and the effectiveness of the applied environmental management system;
- promoting the efficient use of resources such as energy, water, paper and production materials with due regard to the scarcity of natural resources and the environmental impact resulting from the utilisation and application of such resources in conducting our business activities;
- containment and reduction of our carbon footprint in our operations and in the broader supply chain in a technically and economically feasible manner through structured systems of environmental monitoring, reporting and management;
- monitoring and measuring the quality of air emissions and wastewater discharge against benchmarked standards and legal requirements through accurate and effective systems of measuring, reporting and controls;
- the engagement of external experts or consultants to seek independent assurance on the levels of environmental compliance and/or for value-added advice on technically complex matters pertaining to environmental management;
- responsible management of waste through the selection of effective and feasible methods of waste disposal which are aligned to the waste hierarchy;
- implementing robust waste management control systems to safeguard raw materials, packaging materials and finished goods against unauthorised use and to ensure that these waste products are disposed of in accordance with required specifications in a controlled manner;
- promoting extended producer responsibility in a pragmatic manner and ensuring compliant waste management principles and practices are implemented throughout the supply chain until the final disposal of waste material by an approved and accredited waste management service provider; and
- enhancing environmental training and awareness for our employees and contractors to encourage responsible environmental practices in the workplace which, in turn, supports the preservation of the broader environment within which the Company operates.

Through the consistent application of sound environmental management principles by each business in the Group, Aspen strives towards securing a more sustainable future and improving the Group's responsible corporate citizenship.





Sustainability Report continued

The South African business participated in the 2011 CDP, following the development of an in-house capability for the measurement, monitoring and recording of required information. Areas of improvement identified in the 2009 CDP assessed report were given due priority and satisfactory progress has been made to date. The Bad Oldesloe site maintained its ISO 14001 accreditation following an annual review in which no major findings were found.

Emissions management

During 2011, steps were taken towards implementing a carbon footprint calendar for collecting data and reporting Scope 1 and Scope 2 emissions at the Port Elizabeth, East London and Johannesburg sites in South Africa. The Greenhouse Gas Protocol methodology was applied to measure Scope 1 and Scope 2 emissions levels. Emissions were not measured at FCC during the year where the environmental policies are currently being implemented for consistency with other South African sites.

Comparative emissions information is not available for 2010, and this data hence serves as the basis for future trends.

Emissions are reported using the standard international measure, carbon dioxide equivalent (CO_2e).

Emissions	South Africa
Scope 1 (CO_2e)	13 110
Scope 2 (CO_2e)	34 934

During the year, stack emission surveys were conducted at the Port Elizabeth, East London and Johannesburg sites by independent consultants. At all three sites, negligible levels of pollutants were recorded. Furthermore, environmental legal compliance audits were conducted at these sites by an external consulting company after year-end. Results of these audits have been reviewed and a corrective action plan has been approved for implementation.

Emissions are not currently measured with consistent application of Greenhouse Gas protocol at FCC, Shelys and at the international facilities. Steps will be taken towards implementing monitoring systems over the next two years across the International businesses.

In order to maintain environmental integrity, training is considered essential. A total of 50 employees in the South African business and 37 employees at Aspen Mexico received environmental training during the year. General environmental management training took place in accordance with the annual training schedule at Aspen Bad Oldesloe, where new employees received training regarding waste separation. In addition, waste management officers and appointed environmental management representatives received training.

Effluent management

The quality of water discharged by the Group's manufacturing facilities complied with municipal standards across the Group.

Water treatment processes are applied at the facilities in Brazil, Germany and Mexico.

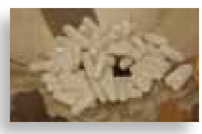
There were no incidents of effluent discharge into stormwater drains (2010: 1).

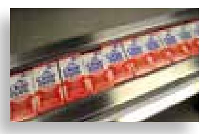
Waste management

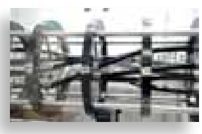
Aspen has structured waste management processes throughout the Group which ensures the responsible management of production and non-production waste in compliance with relevant waste management legislation.

A waste register is maintained at each site in the South African Operations.

Committed steps have been taken at the South African facilities towards enhancing waste management activities for improved compliance with waste management legislation and also to implement more responsible methods of waste disposal. To this end alternative waste disposal methods have been implemented and management's focused efforts towards increasing recycling initiatives have proven to be successful. General and hazardous waste streams, which were previously disposed of using the landfill disposal method have been directed to recycling bins to be recycled according to identified waste types.

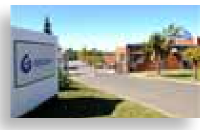
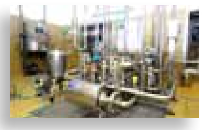







WASTE DISPOSAL BY WASTE TYPE AT THE SOUTH AFRICAN FACILITIES

Type of waste	Method disposed	Unit of measure	**Volume 2011**	Volume 2010	Reason for variance
Biohazardous waste	Incineration or thermal desorption	Kilograms	**11 864**	Not available	Not separately measured in 2010
Cans	Sold to recyclers	Kilograms	**42 300**	–	Recycling initiatives commenced during the year
Cardboard	Sold to recyclers	Kilograms	**265 612**	236 440	Increased recycling initiatives
Drums, buckets and canisters	Sold to recyclers	Kilograms	**88 739**	–	Recycling initiatives commenced during the year
Fluorescent tubes	Landfilled – treated with sodium sulphide	Kilograms	**2 182**	1 200	Retrofitting of high wattage lighting to energy efficient lighting
Fluorescent tubes – in drums	Landfilled	Litres	**400**	400	n/a
General waste	Co-disposal, landfilled (FCC)	Kilograms	**1 139 641**	1 593 592	Initiatives to reduce landfilled waste are being realised
Glass	Sold to recyclers	Kilograms	**44 880**	34 535	Increased recycling initiatives
Hazardous waste	Landfilled – treated with lime ashblended encapsulation	Kilograms	**2 926 950**	3 228 740	Hazardous waste is from Aspen Nutritionals and FCC. There was no production at Aspen Nutritionals in the previous year
Hormonal waste	Sold to recyclers	Litres	**90 000**	–	Hormonal wastewater tank was installed during the year at the Sterile facility in Port Elizabeth
Medical waste	Incineration	Kilograms	**2 548**	2 907	In 2010, part of production waste which was generated was classified as toxic waste. This did not recur in 2011
Paper	Sold to recyclers	Kilograms	**61 346**	5 160	Increased recycling initiatives
Pharmaceutical: Schedule 1 – 4	Landfilled – treated with lime ashblended encapsulation	Kilograms	**1 210 130**	301 920	Thermal desorption has been used to replace the landfilled waste method
Pharmaceutical: Schedule 5 – 6	Thermal desorption	Kilograms	**43 526**	4 736	Thermal desorption has been used to replace the landfilled waste method
Plastic	Sold to recyclers	Kilograms	**41 736**	2 341	Increased recycling initiatives
Printed components	Landfilled	Kilograms	**32 984**	Not available	Not separately measured in 2010
Process solvents	Sold to recyclers	Litres	**259 200**	301 600	Decrease in production levels in areas where process solvents are used
Scrap metal	Sold to recyclers	Kilograms	**38 485**	15 270	Increased recycling initiatives
Sludge waste	Sold to recyclers	Litres	**38 500**	41 500	Movement immaterial
Wood	Sold to recyclers	Kilograms	**52 120**	–	Increased recycling initiatives



Sustainability Report continued

Steps are intended to be taken to measure and monitor waste disposal by waste type at the international sites, together with comparative information.

Waste recycling initiatives

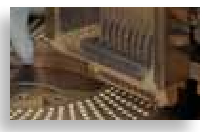
In total, 636 tons of waste was recycled in 2011 (2010: 297 tons). This significant increase of 114% was mainly as a result of the focused recycling projects implemented in the South African business.

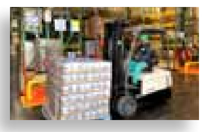
	Volume recycled		
Operation	**2011 (tons)**	2010 (tons)	Movement %
South Africa	**635**	296	115
International	**1**	1	–
Total	**636**	297	114

The South African sites have focused initiatives towards recycling waste and reducing landfill waste. To date, good progress has been made to this end. A 12-month waste recycling target was set for the medium term, and recycling projects have led to a 35% increase in recycled matter at the Port Elizabeth and East London sites in just one year since implementation in 2010. It should be noted that the Johannesburg site recommenced production in 2011 after undergoing a restoration project in 2010, and this also contributed to the increase – a total of 223 tons of waste was recycled at this site (2010: 24 tons).

At FCC, cardboard and glass recycling projects were implemented, and Aspen Mexico focused on the recycling of cardboard.





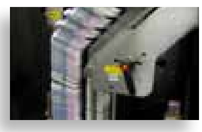
GRI STANDARD DISCLOSURES PROFILE

Self assessed application, Level C

	Overview of reporting requirement	Page reference
	Strategy and analysis	
1.1	Statement from the most senior decision maker about the relevance of sustainability to the organisation and its strategies	Pages 98 and 100
1.2	Description of key risks and mitigation initiatives	Pages 60 to 63
	Organisational profile	
2.1	Name of the organisation	Page 133
2.2	Primary brands, products and/or services	Pages 4 and 5
2.3	Operating structure of the organisation, including main divisions, operating companies, subsidiaries and joint ventures	Pages 268 to 272
2.4	Location of organisation's headquarters	Page 3
2.5	Number of countries where the organisation operates and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	Page 3
2.6	Nature of ownership and legal form	Pages 278 and 288
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	Pages 4 and 5
2.8	Scale of the operating organisation including:	
	• number of employees;	Page 102
	• net sales;	Page 102
	• total capitalisation, analysed in terms of debt and equity; and	Pages 34 and 36
	• quantity of products or services provided.	Pages 4 and 5
2.9	Significant changes during the reporting period regarding size, structure or ownership, including:	
	• the location of, or changes in operations including facility openings, closings and expansions; and	Pages 50 to 57, pages 169, 172 and 189
	• changes in the share capital structure and other capital formation, maintenance and alternation operations.	Page 190
2.10	Awards received in the reporting period	Page 15
	Report parameters	
3.1	Reporting period for the information provided	Page 98
3.2	Date of most recent previous report	Page 131
3.3	Reporting cycle	Page 131



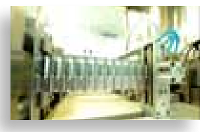
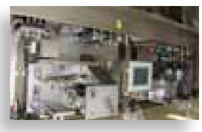


Sustainability Report continued

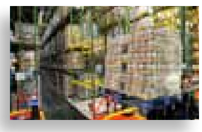
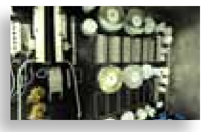
GRI STANDARD DISCLOSURES PROFILE (continued)

	Overview of reporting requirement	Page reference
3.4	Contact person for the report and its contents	Roshni Gajjar, Group Risk and Sustainability Manager Tel: +27 41 407 2952 Email: rgajjar@aspenpharma.com Website online queries at: www.aspenpharma.com
	Report scope and boundaries	
3.5	Process for defining report content, including:	
	• determining materiality;	Page 131
	• prioritising topics within the report; and	
	• identifying stakeholders who the organisation expects would use the report	Pages 94 and 131
3.6	Boundary of the report	Inside front cover
3.7	State any specific limitations on the scope or boundary of the report	Owing to its maturity, selected social and environmental indicators have been measured, managed and reported for the South African business. Steps are being taken towards implementing the Group's sustainability indicators consistently across the South African and International businesses as relevant.
3.8	Basis on reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organisations	The Group's continued operations are included in the scope of the Annual Report. Subsidiary companies and businesses/facilities controlled by the Group are included in the scope of the Sustainability Report. Comparative information is disclosed on a consistent basis to that of the relevant reporting period.
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the indicators and other information in the report	Reported data has been measured using generally accepted measurement techniques for reported indicators which have been specified where necessary in the report.
3.10	Explanations of the effect of any restatements of information provided in earlier reports and the reasons for such reinstatement	Pages 112 and 119
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Following the acquisition of the Sigma pharmaceutical business in Australia, information regarding the acquired facilities has been added to the 2011 information.



	Overview of reporting requirement	Page reference
	GRI content index	
3.12	Table identifying the table of standard disclosures in the report	Pages 125 to 129
	Disclosure of management approach per category	The sustainability indicators are disclosed under their themes. Management's approach has been outlined under each theme to create the necessary context to support the reader's understanding.
	Core performance indicators	Pages 129 to 131
	Any GRI additional indicators which were included	
	Assurance	
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the Sustainability Report explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organisation and the assurance providers	Page 98
	Governance, commitments and engagement	
	Governance	
4.1	Governance structures of the organisation, including committees under the highest governance body responsible for specific tasks such as setting strategy or organisational oversight	Pages 68 to 73
4.2	Indicate whether the chair of the highest governance body is also an executive officer (and if so, their function within the organisation's management and the reason for this arrangement)	Page 68
4.3	For organisations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members	Page 66
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	Pages 93, 279 to 280 and 287 to 288
4.5	Linkage between compensation for the members of the highest governing body, senior managers and executives (including departure arrangements) and the organisation's performance (including social and environmental performance)	Pages 79 to 85 Performance incentive calculations for members of the governing body, senior management and executives are not linked to social and environmental performance.


Sustainability Report continued

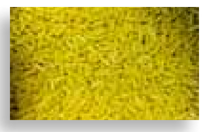
GRI STANDARD DISCLOSURES PROFILE (continued)

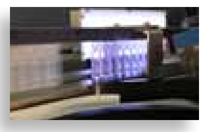
	Overview of reporting requirement	Page reference
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	Page 70
4.7	Processes for determining the qualifications and the expertise of the members of the highest governance body for guiding the organisation's strategy on economic, environmental and social topics	Pages 66 to 67 and 69 to 70
4.8	Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation	Pages 18, 19, 39, 91, 92 and 121
4.9	Procedures for the highest governance body for overseeing the organisation's identification and management of economic, environmental and social performance including relevant risks and opportunities and adherence or compliance with internationally agreed standards, codes of conduct and principles	Pages 72 and 98
4.10	Processes for evaluating the highest governance body's own performance particularly with respect to economic, environmental and social performance	Pages 69 to 70
	Commitments and external initiatives	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organisation (risk management)	Pages 58 to 59
4.12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes or endorses	Pages 98 (GRI), 66 (King III), 122 (ISO 14001 and CDP); 122 (Waste Act), 114 (OSHACT 18001), 7 and 108 (Product quality control), 71 (Marketing Codes of Conduct), 70 (Human rights) and 71 and 72 (Compliance management)
4.13	Memberships in associations and/or national/international advocacy organisations in which the organisation: • has positions in governing bodies; • participates in projects or committees; • provides substantive funding beyond routine membership dues; and • views memberships as strategic.	Pages 94 to 97
	Stakeholder engagements	
4.14	List of stakeholder groups engaged by organisation	Pages 94 to 97
4.15	Basis for identification and selection of stakeholders with whom to engage	Pages 93 to 97
4.16	Approaches to stakeholder engagement including frequency of engagement by type and stakeholder group	Pages 93 to 97






	Overview of reporting requirement	Page reference
4.17	Key topics and concerns that have been raised through stakeholder engagement and how the organisation has responded to those key topics and concerns including through its reporting	Not disclosed
	Performance indicators	
	Economic indicators	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and government	Page 102
EC3	Coverage of the organisation's defined benefit plan obligations	Pages 204 to 205
EC4	Significant financial assistance received from government	Page 214
EC6	Policy, practices and proportion of spending on locally based suppliers at significant locations of operations	Pages 89 to 90
EC8	Development and impact of infrastructure investments and services provided primarily for the public benefit through commercial, in-kind or *pro bono* engagement	Page 117
	Environmental indicators	
EN3	Direct energy consumption by direct energy source	Page 119
EN4	Indirect energy consumption by direct energy source	Page 119
EN8	Total water withdrawal by source	Page 120
EN11	Location and size of land owned, leased, managed in or adjacent to protected areas and areas of high biodiversity value outside protected areas	Page 121
EN12	Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Page 121
EN16	Total direct and indirect greenhouse gas emissions by weight	Page 122
EN21	Total water discharge by quality and destination	Page 122
EN22	Total weight of waste by type and disposal method	Page 123
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Page 121
Additional	Resource conservation initiatives	Pages 119 to 120
Additional	Waste management initiatives	Pages 122 to 124



Sustainability Report continued

GRI STANDARD DISCLOSURES PROFILE (continued)

	Overview of reporting requirement	Page reference
	Labour practices and decent work	
LA1	Total workforce by employment type and region	Page 122
LA4	Total number and rate of employee turnover by region	Page 122
LA5	Percentage of employees covered by collective bargaining agreements	Page 71
LA7	Minimum notice period(s) regarding operations changes, including whether it is specified in collective agreements	Page 71
LA8	Rates of injury, occupational diseases total number of work-related fatalities by region	Page 115
LA10	Education, training, counselling, prevention and risk control programmes in place to assist workforce members, their families or community members regarding serious diseases	Pages 116 to 117
	Society performance indicators	
SO2	Percentage and total number of business units analysed for risks related to corruption	Page 39
SO3	Percentage of employees trained in organisation's anti-corruption policies and procedures	Page 39
SO4	Actions taken in response to incidents of corruption	Page 39
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	Page 71
	Human rights performance indicators	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	Page 70
HR4	Total number of incidents of discrimination and actions taken	Page 71
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk and actions taken to support these	Page 71
HR6	Operations identified as having significant risk for incidents of child labour and measures taken to contribute to eliminate child labour	None and page 70
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour and measures taken to contribute to the elimination of forced or compulsory labour	Page 70



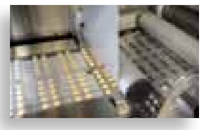



	Overview of reporting requirement	Page reference
	Product responsibility performance indicators	
PR1	Lifecycle stages in which health and safety impacts of products and services are assessed for improvement and percentage of significant products and services categories subject to such procedures	Page 101
PR3	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements	Page 101
PR6	Programmes for adherence to laws, standards and voluntary codes related to marketing communications including advertising, promotion and sponsorships	Pages 71 to 72
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	Zero. Page 71
Additional	New/pending legislation	Page 66

Notes to the Sustainability Report:

a) Aspen's previous Sustainability Reports are contained in each published Annual Report, with the Group's last GRI-base Sustainability Report having been issued in November 2010. Aspen's Annual Reports can be accessed on www.aspenpharma.com

b) The Group's economic, environmental and social indicators are selected with reference to their relevance and materiality to the Group's sustainability objectives and to aid a broader understanding of the Group by identified stakeholders. The sustainability indicators are reviewed by the Risk & Sustainability Committee on an annual basis and updated where necessary.



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Statement of responsibility by the Board of Directors

The directors are responsible for the preparation, integrity and fair presentation of the Annual Financial Statements of Aspen Pharmacare Holdings Ltd and its subsidiaries.

The directors consider that in preparing the Annual Financial Statements they have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all IFRS that they consider to be applicable have been followed. The directors are satisfied that the information contained in the Annual Financial Statements fairly presents the results of operations for the year and the financial position of the Group at year-end. The directors also prepared the other information included in the Annual Report and are responsible for both its accuracy and its consistency with the Annual Financial Statements.

The directors have responsibility for ensuring that accounting records are kept. The accounting records should disclose with reasonable accuracy the financial position of the Group to enable the directors to ensure that the Annual Financial Statements comply with the relevant legislation.

The preparation of the Annual Financial Statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Annual Financial Statements and the reported expenses during the reporting period. Actual results could differ from those estimates.

Aspen Pharmacare Holdings Ltd and its subsidiaries operated in a well-established control environment, which is well documented and regularly reviewed. This incorporates risk management and internal control procedures, which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded and the risks facing the business are being controlled.

The going concern basis has been adopted in preparing the Annual Financial Statements. The directors have no reason to believe that the Group or any company within the Group will not be going concerns in the foreseeable future, based on forecasts and available cash resources. These Annual Financial Statements support the viability of the Company and the Group.

The Code of Conduct has been adhered to.

The Group's external auditors, PricewaterhouseCoopers Inc., audited the Annual Financial Statements, and their report is presented on page 135.

The Annual Financial Statements were prepared by the Group Finance Officer, Sean Capazorio CA(SA) and approved by the Board of Directors on 21 October 2011 and are signed on its behalf:

Judy Dlamini
Chairman

Gus Attridge
Deputy Group Chief Executive

Johannesburg
21 October 2011

Certificate of the Company Secretary

In my capacity as the Company Secretary, I hereby confirm, in terms of the Companies Act, that for the year ended 30 June 2011, the Company has lodged with the Companies and Intellectual Property Commission all such returns as are required of a public company in terms of this Act, and that all such returns are, to the best of my knowledge and belief true, correct and up to date.

Hymie Shapiro
Company Secretary

Johannesburg
21 October 2011

Independent auditors' report to the shareholders of Aspen Pharmacare Holdings Ltd

We have audited the consolidated Annual Financial Statements and Annual Financial Statements of Aspen Pharmacare Holdings Ltd, which comprise the consolidated and separate statements of financial position at 30 June 2011, and the consolidated and separate statements of comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the Directors' Report, as set out on pages 136 to 273 .

DIRECTORS' RESPONSIBILITY FOR THE ANNUAL FINANCIAL STATEMENTS

The Company's directors are responsible for the preparation and fair presentation of these Annual Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of Annual Financial Statements that are free from material misstatements, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express an opinion on these Annual Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Annual Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Financial Statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Financial Statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the Annual Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the Annual Financial Statements present fairly, in all material respects, the consolidated and separate financial position of Aspen Pharmacare Holdings Ltd at 30 June 2011, and its consolidated and separate annual financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Eric Mackeown
Registered Auditor

Johannesburg
21 October 2011

Group annual financial statements
Non-current assets
Current assets
Shareholders' equity
Non-current liabilities
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Statement of comprehensive income
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Directors' report

The directors have pleasure in presenting their report, which forms part of the audited Annual Financial Statements of the Group and the Company for the year ended 30 June 2011.

NATURE OF BUSINESS

The Company, through its subsidiaries, is engaged in the manufacture, marketing and distribution of pharmaceutical, branded consumer, OTC and nutritional products, operating primarily in the healthcare industry. Aspen supplies medicines to approximately 100 countries worldwide. It is the leading supplier of medicines in South Africa.

FINANCIAL RESULTS AND REVIEW OF OPERATIONS

The financial results of the Group are set out on pages 139 to 240 and of the Company on pages 241 to 273 of this report. The Segmental Analysis is included on page 141.

The consolidated earnings attributable to equity holders of the parent amounted to R2 577,8 million for the year, compared with R1 989,6 million for the previous year, an increase of 30%. Headline earnings per share from continuing operations increased by 13% from 451,8 cents to 510,9 cents.

The financial results are more fully described in the Annual Financial Statements.

SHARE CAPITAL

There were no changes to the authorised share capital of Aspen during the year under review.

The authorised ordinary and preference share capital of Aspen is as follows:

Authorised ordinary share capital

700 000 000 ordinary shares with a par value of 13,90607 cents each.

Authorised preference share capital

17 600 000 cumulative, variable rate A preference shares with a par value of 13,90607 cents each.

20 000 000 non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each.

The following changes to the issued share capital and share premium were effected during the year:

Ordinary shares

	Number of shares ('million)	Share capital (R'million)	Share premium (R'million)
Opening balance	431,6	60,0	5 042,5
Capital distribution	–	–	(302,9)
Shares issued – share schemes	2,3	0,3	9,7
	433,9	60,3	4 749,3

Further details of the authorised and issued share capital of the Group and the Company are given in notes 13 and 16 of the Group Annual Financial Statements and notes 9 and 10 of the Company Annual Financial Statements.

The unissued ordinary shares are under the control of the directors of the Company until the next annual general meeting of shareholders.

DIRECTORATE AND SECRETARY

The following changes have taken place during the year under review and to the date of this report:

Resignations and appointments

Archie Aaron retired as a non-executive director with effect from 26 November 2010. Hymie Shapiro resigned as Company Secretary with effect from 1 March 2011 and was re-appointed on 12 August 2011, following the appointment and resignation of Ramani Naidoo.

The names of the directors in office at the date of this report are set out on pages 64 to 65. The Company Secretary is Hymie Shapiro. His business and postal address appear on page 288 of this report.

In terms of the Company's Articles of Association, Roy Andersen, Sindi Zilwa and Chris Mortimer retire by rotation and, being eligible, offer themselves for re-election. David Nurek has indicated that he will be retiring at the upcoming annual general meeting.

The Group Chief Executive and the Deputy Group Chief Executive are employed on indefinite term service contracts subject to a six-month notice period by either party.

Details of directors' interests in the Company's issued shares are shown on page 83 and directors' remuneration details are set out in note 26 of the Group Annual Financial Statements.

No changes have taken place in the interests of the directors in the shares of the Company since 30 June 2011 up to the date of this report.

GROUP SHARE TRADING POLICY

It is Group policy that all directors and employees should not deal in shares or exercise share options and/or share appreciation rights of the Company for the periods from half year-end and year-end to 24 hours after publication of the half-year and year-end results or when the Company is trading under a cautionary announcement.

ACQUISITIONS

1. With effect from 31 January 2011, Aspen Global, via its wholly owned Australian subsidiary, Aspen Asia Pacific, acquired 100% of the Sigma pharmaceutical business for a published purchase consideration of AUD900 million.

   All regulatory conditions, including *inter alia*:
   - the conclusion of business and share purchase agreements between Aspen Asia Pacific and Sigma Pharmaceuticals Ltd;
   - all requisite regulatory approvals; and
   - the approval of Sigma shareholders

   were fulfilled prior to that date.

   Subsequently, on determination of a final working capital position for the Sigma pharmaceutical business as at 31 January 2011, the purchase consideration was adjusted downwards for working capital related movements, resulting in the final consideration paid being AUD863 million.

   The purchase consideration allocation is disclosed on a provisional basis in the Group results for the year ended 30 June 2011.

   The transaction was funded from a combination of internal cash resources and external funding raised.

2. With effect from 1 June 2011, Pharmacare Ltd concluded a transaction to acquire 100% of the shares of AHN. The purchase consideration was based on a formula comprising factors such as the net asset value at 31 May 2010 and other certain fixed amounts.

   Finalisation of the purchase consideration had not taken place at 30 June 2011. Therefore the purchase consideration allocation is disclosed on a provisional basis in the Group results for the year ended 30 June 2011. The fair value of assets acquired has been estimated at R43,6 million.

3. With effect from 1 July 2010, Aspen acquired 80% of Formule Naturelle (Pty) Ltd for a purchase consideration of R35 million from Linklace Ltd, thereby constituting Aspen as the owner of the entire share capital of that company.

DISPOSALS

1. With effect from 1 July 2010, Aspen Global disposed, via the exercise of a put option, of its 49% shareholding in the equity of Co-Pharma Ltd to Linklace Ltd for a purchase consideration of GBP2,3 million. This investment was classified as held-for-sale at 30 June 2010.

2. Onco Laboratories was classified as held-for-sale in June 2010, as the conditions precedent relating to the sale of Aspen Global's 50% investment in this company had not been fulfilled. These conditions were met in February 2011 and the transaction completed as at that date. Proceeds of R602 million were received on disposal and a profit of R368 million realised.

3. With effect from 31 May 2011, Aspen Global disposed of its right to manufacture, market and distribute certain brands previously acquired from GSK in the territories of India, Bangladesh, Pakistan, Sri Lanka and Afghanistan. Proceeds of USD16,5 million from the sale of these rights were received by Aspen Global. As these proceeds were equal to original cost, no profit or loss on disposal was realised.

4. On 1 November 2010 Aspen sold its Vinolia, Playboy and Playgirl ranges and certain Formule Naturelle products to Amka Products (Pty) Ltd for a purchase consideration of R35 million.

CAPITAL DISTRIBUTION

Taking into account the earnings and cash flow performance for the year ended 30 June 2011, existing debt service commitments and future proposed investments, notice was given that, in terms of a general authority to distribute the Company's capital granted by shareholders at the annual general meeting held on 26 November 2010, a capital distribution of 105 cents per ordinary share (2010: 70 cents) by way of a capital reduction was declared, payable out of share premium to shareholders recorded in the share register of the Company at the close of business on Friday, 14 October 2011. The directors are of the opinion that the Company will satisfy the solvency and liquidity requirement of section 46, of the Companies Act. Future distributions will be decided on a year-to-year basis.

Directors' report continued

In compliance with IAS 10, *Events After the Balance Sheet Date,* the capital distribution will only be accounted for in the Annual Financial Statements in the year ending 30 June 2012.

Last day to trade *cum* capital distribution	Friday, 7 October 2011
Shares commence trading ex capital distribution	Monday, 10 October 2011
Record date	Friday, 14 October 2011
Payment date	Monday, 17 October 2011

POST YEAR-END EVENTS

On 24 June 2011, the Aspen Board approved the disposal of the Mentadent P brand and cancellation of the unexpired portion of the Close-Up licence. Subsequent to the year-end, an agreement of sale was entered into and the transactions completed, resulting in Aspen receiving R70 million for the sale of the intangible assets plus an amount equal to the cost of inventories sold. The intangible assets and inventories have been classified as held-for-sale at 30 June 2011 and the related business classified as a discontinued operation, in compliance with IFRS.

With effect from 1 July 2011, Aspen Brazil disposed of certain non-core hospital products to Agila Especialidades Farmacêuticas, a company controlled by Strides Arcolab Ltd. Proceeds of BRL 23,1 million are to be received from this transaction in the 2012 financial year. The assets have been classified as held- for-sale at 30 June 2011 and the business classified as a discontinued operation in compliance with IFRS.

Subsequent to the year-end, the consortium of banks have agreed to release all security previously granted to them in respect of the US Dollar term loan advanced to Aspen Global in 2008. Refer to note 18 of Group Annual Financial Statements for further detail.

GOING CONCERN

The Annual Financial Statements contained in this Annual Report have been prepared on the going concern basis. Based on the Group's positive cash flows and cash balances, the availability of unutilised funding and the budgets for the period to June 2012, the Board believes that the Group and the Company have adequate resources to continue in operation for the forthcoming year.

SPECIAL RESOLUTIONS

At the annual general meeting of Aspen shareholders convened on 26 November 2010, the following special resolutions were passed by the Company:

- A general authority was granted to Aspen and its subsidiaries to acquire up to 20% of the Company's issued share capital from time-to-time. This general authority is valid until Aspen's next annual general meeting, provided that it shall not extend beyond 15 months from the date of approval.

The abovementioned special resolution was registered with Companies and Intellectual Property Commission.

No subsidiary companies passed any special resolutions during the year under review.

AUDITORS

The Board recommends that PricewaterhouseCoopers Inc. be re-appointed as auditors of the Group and the Company in terms of the resolution to be proposed at the annual general meeting in accordance with the Companies Act.

The directors further confirm that the Audit Committee has addressed the specific responsibility required by it in terms of the Companies Act and that membership of the Audit Committee will be proposed to shareholders by ordinary resolution at the annual general meeting. Further details and activities of the Audit Committee are contained within the Audit Committee Report on page 76.

INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

The financial information in respect of the Group's and the Company's interests in its subsidiaries and associates is set out in note 4 of Group Annual Financial Statements and note 3 of the Company Annual Financial Statements.

CONTRACTS

None of the directors and officers of the Company had an interest in any contract of significance during the financial year, save as disclosed in note 38 of the Group Annual Financial Statements and note 20 of the Company Annual Financial Statements.

BORROWINGS

Borrowings at year-end (net of cash and cash equivalents) amounted to R6,348 billion (2010: R3,041 billion).

The level of borrowings is authorised in terms of the Company's and its subsidiaries Articles of Association.

A detailed list of borrowings is set out in note 18 of the Group Annual Financial Statements and note 12 of the Company Annual Financial Statements.

Group statement of financial position

at 30 June 2011

	Notes	2011 R'million	2010 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	1	3 651,5	3 012,4
Goodwill	2	4 626,6	456,1
Intangible assets	3	8 916,7	8 609,9
Investment in associate	4	–	2,0
Other non-current financial receivables	5	11,8	32,4
Deferred tax assets	6	216,5	65,5
Total non-current assets		17 423,1	12 178,3
Current assets			
Inventories	7	2 628,1	2 041,4
Trade and other receivables	8	3 105,5	2 302,2
Current tax assets		158,3	57,2
Derivative financial instruments	9	–	0,1
Cash and cash equivalents	10	3 039,2	2 939,8
Cash restricted for use	11	28,7	21,8
Total operating current assets		8 959,8	7 362,5
Assets classified as held-for-sale	12	414,5	260,1
Total current assets		9 374,3	7 622,6
Total assets		26 797,4	19 800,9
SHAREHOLDERS' EQUITY			
Share capital and share premium	13	4 809,6	5 102,5
Treasury shares	14	(33,4)	(13,5)
Non-distributable reserves		(108,1)	(182,3)
Share-based compensation reserve	15	32,5	42,7
Retained income		8 363,6	5 719,6
Ordinary shareholders' equity		13 064,2	10 669,0
Preference shares – equity component	16	162,0	162,0
		13 226,2	10 831,0
Non-controlling interests	17	61,1	55,2
Total shareholders' equity		13 287,3	10 886,2
LIABILITIES			
Non-current liabilities			
Preference shares – liability component	16	381,3	386,6
Borrowings	18	4 249,0	2 260,2
Deferred revenue	19	148,2	159,4
Deferred tax liabilities	6	504,9	263,2
Retirement benefit obligations	20	18,8	15,4
Total non-current liabilities		5 302,2	3 084,8
Current liabilities			
Trade and other payables	21	2 830,8	1 913,9
Borrowings	18	5 138,0	3 720,8
Deferred revenue	19	19,2	8,6
Current tax liabilities		123,4	43,4
Derivative financial instruments	22	65,6	143,2
Total operating current liabilities		8 177,0	5 829,9
Liabilities associated with assets held-for-sale	12	30,9	–
Total current liabilities		8 207,9	5 829,9
Total liabilities		13 510,1	8 914,7
Total equity and liabilities		26 797,4	19 800,9

Group statement of comprehensive income

for the year ended 30 June 2011

	Notes	2011 R'million	Restated 2010 R'million
CONTINUING OPERATIONS			
Revenue	23	**12 383,2**	9 619,2
Cost of sales		**(6 769,7)**	(5 142,7)
Gross profit		**5 613,5**	4 476,5
Selling and distribution expenses		**(1 460,7)**	(1 148,2)
Administrative expenses		**(827,3)**	(740,4)
Other operating income		**192,8**	179,9
Other operating expenses		**(369,3)**	(243,4)
Operating profit	24	**3 149,0**	2 524,4
Investment income	27	**193,2**	187,9
Financing costs	28	**(605,3)**	(553,2)
Operating profit after investment income and financing costs		**2 736,9**	2 159,1
Share of after-tax net losses of associate		**–**	(1,7)
Profit before tax		**2 736,9**	2 157,4
Tax	29	**(582,1)**	(458,5)
Profit after tax from continuing operations		**2 154,8**	1 698,9
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations	32	**434,0**	279,6
Profit for the year		**2 588,8**	1 978,5
OTHER COMPREHENSIVE INCOME, NET OF TAX	33		
Currency gains on net investment in Aspen Asia Pacific		**81,2**	–
Net investment hedge loss on capital reduction in Aspen Asia Pacific		**(66,1)**	–
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business		**216,8**	–
Net impact in respect of the Sigma pharmaceutical business		**231,9**	–
Cash flow hedges realised		**4,6**	(4,8)
Currency translation losses		**(223,0)**	(25,1)
Onco Therapies Ltd transaction		**–**	0,8
Unrealised cash flow hedges recognised		**59,7**	–
Total comprehensive income		**2 662,0**	1 949,4
Profit for the year attributable to			
Equity holders of the parent		**2 577,8**	1 989,6
Non-controlling interests		**11,0**	(11,1)
		2 588,8	1 978,5
Total comprehensive income attributable to			
Equity holders of the parent		**2 655,3**	1 969,3
Non-controlling interests		**6,7**	(19,9)
		2 662,0	1 949,4
EARNINGS PER SHARE	30		
Basic earnings per share (cents)			
From continuing operations		**495,2**	425,4
From discontinued operations		**100,3**	69,5
		595,5	494,9
Diluted earnings per share (cents)			
From continuing operations		**476,5**	409,1
From discontinued operations		**95,5**	65,6
		572,0	474,7

Group segmental analysis

for the year ended 30 June 2011

	2011 R'million	2011 % of total	Restated 2010 R'million	Restated 2010 % of total	% change
REVENUE FROM CONTINUING OPERATIONS					
South Africa	**6 296,2**	**48**	5 575,4	55	13
Sub-Saharan Africa	**1 300,9**	**10**	910,0	9	43
International	**5 617,0**	**42**	3 602,6	36	56
Total gross revenue	**13 214,1**	**100**	10 088,0	100	31
Adjustment*	**(830,9)**		(468,8)		
Total revenue	**12 383,2**		9 619,2		29
OPERATING PROFIT BEFORE AMORTISATION FROM CONTINUING OPERATIONS					
Adjusted for specific non-trading items					
South Africa	**1 934,1**	**55**	1 639,0	60	18
Operating profit	**1 857,4**		1 593,1		17
Amortisation of intangible assets	**51,1**		44,8		
Insurance compensation – capital component	**(14,3)**		(38,5)		
Transaction costs	**–**		2,1		
Restructuring costs	**11,3**		–		
Impairment of assets	**28,6**		37,5		
Sub-Saharan Africa	**177,4**	**5**	72,3	3	145
Operating profit	**182,4**		66,4		175
Amortisation of intangible assets	**3,7**		4,2		
Profit on sale of non-current assets	**(8,7)**		–		
Impairment of assets	**–**		1,7		
International	**1 377,1**	**40**	1 023,3	37	35
Operating profit	**1 109,2**		864,9		28
Amortisation of intangible assets	**88,2**		52,4		
Profit on sale of non-current assets	**(6,4)**		–		
Transaction costs	**86,1**		5,0		
Restructuring costs	**21,3**		–		
Impairment of assets	**78,7**		101,0		
	3 488,6	**100**	2 734,6	100	28
ENTITY-WIDE DISCLOSURE – REVENUE FROM CONTINUING OPERATIONS					
Analysis of revenue in accordance with customer geography					
South Africa – pharmaceutical	**5 177,7**	**39**	4 491,3	44	15
South Africa – consumer	**1 118,5**	**9**	1 084,1	11	3
Sub-Saharan Africa	**1 300,9**	**10**	910,0	9	43
Asia Pacific	**3 090,8**	**23**	1 393,3	14	122
Latin America	**924,9**	**7**	774,2	8	19
Rest of the world	**1 601,3**	**12**	1 435,1	14	12
Total gross revenue	**13 214,1**	**100**	10 088,0	100	31
Adjustment*	**(830,9)**		(468,8)		
Total revenue	**12 383,2**		9 619,2		29

**The profit share from the Collaboration has been disclosed as revenue in the statement of comprehensive income. For segmental purposes the total revenue for the Collaboration has been included to provide enhanced revenue visibility in this territory.*

Group statement of changes in equity

for the year ended 30 June 2011

	Share capital R'million	Share premium R'million	Treasury shares R'million
BALANCE AT 1 JULY 2009	50,2	459,6	–
Total comprehensive income	–	–	–
Profit for the year	–	–	–
Other comprehensive income	–	–	–
Dividends paid	–	–	–
Issue of ordinary share capital	9,9	4 582,9	–
Shares issued – share schemes	0,3	16,7	–
Shares issued – GSK transactions	9,6	4 566,2	–
Treasury shares purchased	–	–	(13,5)
Treasury shares cancelled	(0,1)	–	–
Share options and appreciation rights expensed (including deferred incentive bonus)	–	–	–
Transfer from share-based compensation reserve	–	–	–
Equity portion of tax claims in respect of share schemes	–	–	–
Hyperinflationary adjustment – Venezuela	–	–	–
BALANCE AT 30 JUNE 2010	**60,0**	**5 042,5**	**(13,5)**
Total comprehensive income	**–**	**–**	**–**
Profit for the year	**–**	**–**	**–**
Other comprehensive income	**–**	**–**	**–**
Capital distribution	**–**	**(302,9)**	**–**
Deregistering of subsidiaries	**–**	**–**	**–**
Dividends paid	**–**	**–**	**–**
Issue of ordinary share capital – share schemes	**0,3**	**9,7**	**–**
Treasury shares purchased	**–**	**–**	**(20,1)**
Deferred incentive bonus shares exercised	**–**	**–**	**0,2**
Share options and appreciation rights expensed (including deferred incentive bonus)	**–**	**–**	**–**
Transfer from share-based compensation reserve	**–**	**–**	**–**
Equity portion of tax claims in respect of share schemes	**–**	**–**	**–**
Hyperinflationary adjustment – Venezuela	**–**	**–**	**–**
BALANCE AT 30 JUNE 2011	**60,3**	**4 749,3**	**(33,4)**

	Non-distributable reserves							
	Hedging reserve R'million	Foreign currency translation reserve R'million	Share-based compensation reserve R'million	Retained income R'million	Preference shares – equity component R'million	Total attributable to equity holders of the parent R'million	Non-controlling interests R'million	Total R'million
	(32,4)	(134,3)	53,3	3 628,7	162,0	4 187,1	75,9	4 263,0
	(4,0)	(14,8)	–	1 988,1	–	1 969,3	(19,9)	1 949,4
	–	–	–	1 989,6	–	1 989,6	(11,1)	1 978,5
	(4,0)	(14,8)	–	(1,5)	–	(20,3)	(8,8)	(29,1)
	–	–	–	–	–	–	(0,8)	(0,8)
	–	–	–	–	–	4 592,8	–	4 592,8
	–	–	–	–	–	17,0	–	17,0
	–	–	–	–	–	4 575,8	–	4 575,8
	–	–	–	–	–	(13,5)	–	(13,5)
	–	–	–	0,1	–	–	–	–
	–	–	25,4	–	–	25,4	–	25,4
	–	–	(36,0)	36,0	–	–	–	–
	–	–	–	56,2	–	56,2	–	56,2
	–	3,2	–	10,5	–	13,7	–	13,7
	(36,4)	**(145,9)**	**42,7**	**5 719,6**	**162,0**	**10 831,0**	**55,2**	**10 886,2**
	215,0	**(137,5)**	**–**	**2 577,8**	**–**	**2 655,3**	**6,7**	**2 662,0**
	–	**–**	**–**	**2 577,8**	**–**	**2 577,8**	**11,0**	**2 588,8**
	215,0	**(137,5)**	**–**	**–**	**–**	**77,5**	**(4,3)**	**73,2**
	–	**–**	**–**	**–**	**–**	**(302,9)**	**–**	**(302,9)**
	–	**(17,4)**	**–**	**17,4**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**–**	**–**	**–**	**(1,7)**	**(1,7)**
	–	**–**	**–**	**–**	**–**	**10,0**	**–**	**10,0**
	–	**–**	**–**	**–**	**–**	**(20,1)**	**–**	**(20,1)**
	–	**–**	**(0,2)**	**–**	**–**	**–**	**–**	**–**
	–	**–**	**26,3**	**–**	**–**	**26,3**	**–**	**26,3**
	–	**–**	**(36,3)**	**36,3**	**–**	**–**	**–**	**–**
	–	**–**	**–**	**23,6**	**–**	**23,6**	**–**	**23,6**
	–	**14,1**	**–**	**(11,1)**	**–**	**3,0**	**0,9**	**3,9**
	178,6	**(286,7)**	**32,5**	**8 363,6**	**162,0**	**13 226,2**	**61,1**	**13 287,3**

Group statement of cash flows

for the year ended 30 June 2011

	Notes	2011 R'million	2010 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	**3 381,8**	2 925,1
Financing costs paid	B	**(592,6)**	(609,1)
Investment income received	C	**191,3**	182,0
Tax paid	D	**(534,6)**	(465,0)
Cash generated from operating activities		**2 445,9**	2 033,0
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		**(651,5)**	(632,0)
Replacement		**(161,8)**	(190,5)
Expansion		**(489,7)**	(441,5)
Proceeds on sale of property, plant and equipment		**2,8**	9,8
Capital expenditure – intangible assets		**(188,7)**	(660,5)
Expansion		**(188,5)**	(659,5)
Replacement		**(0,2)**	(1,0)
Proceeds on sale of intangible assets		**197,5**	0,3
Acquisition of subsidiaries and businesses	E	**(5 893,2)**	33,4
Disposal of associate and joint ventures	F	**628,1**	274,1
Decrease/(increase) in other non-current financial receivables		**25,1**	(27,1)
Proceeds on sale of decommissioned Beta manufacturing facility		**10,3**	–
Advance proceeds on assets held-for-sale		**290,2**	–
Net investment hedge loss on capital reduction in Aspen Asia Pacific		**(66,1)**	–
Payment of outstanding Oncology business purchase consideration	G	**–**	(18,7)
Cash used in investing activities		**(5 645,5)**	(1 020,7)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		**19 665,1**	385,0
Repayment of borrowings		**(16 097,3)**	(863,0)
Repayment of deferred-payables		**–**	(0,7)
Dividends paid		**(1,7)**	(0,8)
Proceeds from issue of ordinary shares capital		**10,0**	16,1
Treasury shares purchased		**(20,1)**	(13,5)
Capital distribution		**(302,9)**	–
Increase in cash restricted for use as security for borrowings		**(6,1)**	(21,8)
Cash generated from/(used in) financing activities		**3 247,0**	(498,7)
MOVEMENT IN CASH AND CASH EQUIVALENTS BEFORE TRANSLATION EFFECTS OF FOREIGN OPERATIONS		**47,4**	513,6
Translation effects on cash and cash equivalents of foreign operations		**(107,3)**	(23,8)
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		**(59,9)**	489,8
Cash and cash equivalents at the beginning of the year		**1 812,7**	1 322,9
Cash and cash equivalents at the end of the year	H	**1 752,8**	1 812,7

Discontinued operations are included in both the 2011 and 2010 statement of cash flows above. Refer to note 32 for more detail on discontinued operations.

For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts.

Notes to the Group statement of cash flows

for the year ended 30 June 2011

		2011 R'million	2010 R'million
A.	**CASH GENERATED FROM OPERATIONS**		
	Operating profit	**3 599,1**	2 823,5
	Amortisation of intangible assets	**144,4**	101,9
	Depreciation of property, plant and equipment	**215,0**	167,8
	Impairment charges	**248,4**	302,3
	Loss on sale of property, plant and equipment	**2,4**	3,4
	Profit on sale of intangible assets	**(18,5)**	(0,1)
	Profit on sale of the decommissioned Beta manufacturing facility	**(8,7)**	–
	Profit on sale of the Oncology business	**(367,9)**	(154,7)
	Profit on sale of Co-Pharma Ltd	**(7,4)**	–
	Share-based payment expense – employees	**30,6**	29,8
	Deferred revenue – recognised in the statement of comprehensive income	**(20,8)**	(4,3)
	Deferred revenue – amounts received in advance	**23,3**	–
	Hyperinflationary adjustment – Venezuela	**6,6**	–
	Other non-cash items	**(1,5)**	(0,1)
	Cash operating profit	**3 845,0**	3 269,5
	Working capital movements	**(463,2)**	(344,4)
	Increase in inventories	**(174,8)**	(561,1)
	Increase in trade and other receivables	**(531,0)**	(428,5)
	Increase in trade and other payables	**242,6**	645,2
		3 381,8	2 925,1
B.	**FINANCING COSTS PAID**		
	Interest paid	**(612,6)**	(553,1)
	Preference shares dividends paid – liability component	**(26,3)**	(27,9)
	Net foreign exchange gains/(losses)	**60,8**	(19,0)
	Hyperinflationary adjustment – Venezuela	**(0,1)**	2,8
	Borrowing costs capitalised to property, plant and equipment	**(14,4)**	(11,9)
		(592,6)	(609,1)
C.	**INVESTMENT INCOME RECEIVED**		
	Interest received	**193,2**	187,9
	Interest receivable from Revenue authorities	**(1,9)**	(5,9)
		191,3	182,0
D.	**TAX PAID**		
	Amounts receivable at the beginning of the year	**13,8**	61,4
	Tax charged to the statement of comprehensive income (excluding deferred tax)	**(556,3)**	(428,1)
	Acquisition of subsidiaries	**4,0**	–
	Disposal of joint ventures	**–**	(0,8)
	Amount transferred to assets held-for-sale	**–**	5,0
	Tax claims credited to equity in respect of share schemes	**39,7**	32,1
	Translation of foreign operations	**(3,4)**	(3,9)
	Amounts owing at the end of the year	**123,4**	43,4
	Amounts receivable at the end of the year	**(158,4)**	(57,2)
	Hyperinflationary adjustment – Venezuela	**0,7**	–
	Interest receivable from Revenue authorities	**1,9**	5,9
		(534,6)	(465,0)

Notes to the Group statement of cash flows continued

for the year ended 30 June 2011

	2011			
	Formule Naturelle (Pty) Ltd R'million	AHN R'million	Sigma pharma-ceutical business R'million	Total R'million
E. ACQUISITION OF SUBSIDIARIES AND BUSINESSES				
Fair value of assets and liabilities acquired in subsidiaries and businesses				
Property, plant and equipment	–	2,6	566,5	569,1
Intangible assets	20,2	27,3	1 036,4	1 083,9
Inventories	3,5	18,8	523,1	545,4
Trade and other receivables	6,7	18,0	340,5	365,2
Current tax assets	0,2	3,8	–	4,0
Cash and cash equivalents	6,1	22,3	–	28,4
Non-current borrowings	–	(12,0)	–	(12,0)
Deferred tax assets/(liabilities)	2,3	(14,5)	(74,6)	(86,8)
Trade and other payables	(2,0)	(22,7)	(365,3)	(390,0)
Fair value of net assets acquired	37,0	43,6	2 026,6	2 107,2
Goodwill acquired	–	–	4 029,0	4 029,0
Deferred consideration	–	(43,6)	–	(43,6)
Decrease in investment in associate	(2,0)	–	–	(2,0)
Purchase consideration paid	35,0	–	6 055,6	6 090,6
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business	–	–	(169,0)	(169,0)
Cash and cash equivalents in acquired subsidiaries	(6,1)	(22,3)	–	(28,4)
Cash outflow/(inflow) on acquisition	28,9	(22,3)	5 886,6	5 893,2

	2010 GSK transactions R'million
Fair value of assets and liabilities acquired in businesses	
Property, plant and equipment	402,9
Intangible assets	4 054,9
Deferred tax assets	7,4
Inventories	234,8
Cash and cash equivalents	33,4
Deferred revenue	(171,6)
Retirement benefit obligations	(3,1)
Trade and other payables	(44,5)
Fair value of net assets acquired	4 514,2
Goodwill acquired	61,6
Purchase consideration	4 575,8
Shares issued to GSK as purchase consideration	(4 575,8)
Cash and cash equivalents in acquired businesses	(33,4)
Cash inflow on acquisition	(33,4)

	2011 Co-pharma Ltd R'million	2011 Onco Laboratories Ltd R'million	2011 Total R'million
F. DISPOSAL OF ASSOCIATE AND JOINT VENTURES			
Carrying value of assets disposed			
Carrying value of assets held-for-sale disposed	**18,8**	**234,0**	**252,8**
Profit on sale	**7,4**	**367,9**	**375,3**
Cash inflow on disposal	**26,2**	**601,9**	**628,1**

	2010 Onco Therapies Ltd R'million
Carrying value of assets and liabilities disposed	
Property, plant and equipment	130,7
Inventories	0,3
Trade and other receivables	2,7
Current tax assets	0,8
Cash and cash equivalents	8,8
Deferred tax liabilities	(2,6)
Trade and other payables	(17,3)
Carrying value of assets disposed	123,4
Goodwill disposed	4,8
Profit on sale	154,7
Total consideration received	282,9
Cash and cash equivalents in disposed company	(8,8)
Cash inflow on disposal	274,1

	2011 R'million	2010 R'million
G. PAYMENT OF OUTSTANDING ONCOLOGY BUSINESS CONSIDERATION		
Onco Therapies Ltd	**–**	18,7
H. CASH AND CASH EQUIVALENTS		
Bank balances	**1 971,3**	1 485,3
Short-term bank deposits	**1 048,0**	1 426,3
Cash-in-transit	**14,5**	15,1
Cash-on-hand	**5,4**	13,1
Cash and cash equivalents per the statement of financial position	**3 039,2**	2 939,8
Less: Bank overdrafts#	**(1 286,4)**	(1 127,1)
Cash and cash equivalents per the statement of cash flows	**1 752,8**	1 812,7

#Bank overdrafts are included within current borrowings in the statement of financial position.

Accounting policies

for the year ended 30 June 2011

GENERAL INFORMATION

Aspen Pharmacare Holdings Ltd is the holding company of the Group and is domiciled and incorporated in the Republic of South Africa.

The principal accounting policies applied in the preparation of these consolidated Annual Financial Statements are set out below. Except as otherwise disclosed, these policies are consistent in all material respects with those applied in previous years.

FINANCIAL REPORTING TERMS

These definitions of financial reporting terms are provided to ensure clarity of meaning as certain terms may not always have the same meaning or interpretation in all countries.

GROUP STRUCTURES

Associate: An entity in which the Group has significant influence, but not control or joint control, over financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Business unit: An operation engaged in providing similar goods or services that are different to those provided by other operations. The primary business units are:
- South Africa;
- Sub-Saharan Africa; and
- International.

Company: A legal business entity registered in terms of the applicable legislation of that country.

Entity: Aspen Pharmacare Holdings Ltd or a subsidiary, joint venture, associate or special purpose entity within the Group.

Foreign operation: An entity whose activities are based or conducted in a country or currency other than that of the reporting entity (Aspen Pharmacare Holdings Ltd).

Group: The Group comprises Aspen Pharmacare Holdings Ltd, its subsidiaries and its interest in joint ventures, associates and special purpose entities.

Joint venture: An economic activity over which the Group exercises joint control established under a contractual arrangement.

Operation: A component of the Group:
- that represents a separate major line of business or geographical area of operation; and
- is distinguished separately for financial and operating purposes.

Subsidiary: Any entity over which the Group has the power to exercise control. This is usually accompanied by a shareholding of more than one-half of the voting rights.

Special purpose entity: An entity established to accomplish a narrow and well-defined objective. At this stage limited to the share trusts. A special purpose entity is consolidated when the substance of the relationship between the entity and the special purpose entity indicates that the special purpose entity is controlled by that entity.

GENERAL ACCOUNTING TERMS

Acquisition date: The date on which control in subsidiaries, special purpose entities, joint ventures and significant influence in associates commences.

Assets under construction: A non-current asset which includes expenditure capitalised for work-in-progress in respect of activities to develop, expand or enhance items of property, plant and equipment and intangible assets.

Cash-generating unit: The smallest identifiable group of assets which can generate cash inflows independently from other assets or groups of assets.

Control: The ability, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain economic benefits from its activities. When assessing the ability to control an entity, the existence and effect of potential voting rights that are presently exercisable or convertible are taken into account.

Discontinued operation: An operation that, pursuant to a single plan, has been disposed of or abandoned or is classified as an operation held-for-sale.

Disposal date: The date on which control of subsidiaries and special purpose entities, joint control in joint ventures and significant influence in associates ceases.

Financial results: Comprise the financial position (assets, liabilities and equity), results of operations (income and expenses) and cash flows of an entity and of the Group.

Functional currency: The currency of the primary economic environment in which the entity operates.

Non-current: A period longer than 12 months from the reporting date.

Other comprehensive income: Comprises items of income and expense (including reclassification adjustments) that are not recognised in the statement of comprehensive income and includes the effect of translation of foreign operations, cash flow hedges, net investment hedge and changes in revaluation reserves.

Presentation currency: The currency in which financial results of an entity are presented.

Qualifying asset: An asset that necessarily takes a substantial period of time (normally in excess of 12 months) to get ready for its intended use or sale.

Recoverable amount: The amount that reflects the higher of the asset's fair value less costs to sell and the value-in-use that can be attributed to an asset as a result of its ongoing use by the entity. In determining the value in use, expected future cash flows are discounted to their present values using the discount rate.

Share-based payment transaction: A transaction in which the entity receives goods or services as consideration for equity instruments of the entity (including share options, share appreciation rights, deferred incentive bonus shares and phantom shares), or acquires goods or services by incurring liabilities to the supplier of those goods or services for amounts that are based on the price of the entity's shares or other equity instruments of the entity.

Significant influence: The ability, directly or indirectly, to participate in, but not exercise control over, the financial and operating policy decisions of an entity so as to obtain economic benefits from its activities.

Revenue: Comprises revenue generated by operating activities and includes sales of products, services rendered, licence fees and royalties net of indirect taxes rebates and trade discounts.

FINANCIAL INSTRUMENT TERMS

Cash and cash equivalents: Comprise cash-on-hand, demand deposits and other short-term highly liquid investments readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments typically have a maturity period of three months or less at date of purchase.

Cash flow hedge: A hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability (such as all or some future interest payments on variable rate debt) or a highly probable forecast transaction, and could affect the statement of comprehensive income.

Derivative instrument: A financial instrument:
- whose value changes in response to changes in a specified interest rate, commodity price, foreign exchange rate or similar variable (the 'underlying'), provided that in the case of a non-financial variable that variable is not specific to a party to the contract;
- that requires minimal initial net investment; and
- whose terms require or permit settlement at a future date.

Equity instrument: Any contract (including investments) that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

Financial asset: Cash and cash equivalents, a contractual right to receive cash, an equity instrument of another entity or a right to exchange a financial instrument under favourable conditions. A contract that may be settled in the entity's own equity instruments other than by an exchange of a fixed amount of cash for a fixed number of the entity's own equity instruments.

Financial liability: A contractual obligation to deliver cash or an obligation to exchange a financial instrument under unfavourable conditions or a contract that may be settled in the entity's own equity instruments other than by an exchange of a fixed amount of cash for a fixed number of the entity's own equity instruments. This includes debt.

Financial guarantee: A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of the debt instrument.

Loans and receivables: A non-derivative financial asset with fixed or determinable repayments that are not quoted in an active market, other than those that the entity intends to sell in the near term, which shall be classified as held-for-trading.

Monetary item: A unit of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency.

Transaction date: The date an entity commits itself to purchase or sell a financial instrument.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial results

The consolidated Annual Financial Statements have been prepared in accordance with those IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and effective at the time of preparation, and the Companies Act. The Annual Financial Statements have been prepared under the historical cost convention, except for specific financial instruments as set out in the notes to the Annual Financial Statements, which are stated at fair value.

The consolidated Annual Financial Statements are prepared on the going-concern basis. These accounting policies are applied throughout the Group.

The preparation of Annual Financial Statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Annual Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates. The preparation of Annual Financial Statements in conformity with IFRS also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of

Accounting policies continued

for the year ended 30 June 2011

judgement or complexity, or areas where assumptions and estimates are significant to the consolidated Annual Financial Statements are disclosed on page 166.

Group accounting

The consolidated Annual Financial Statements reflect the financial results of the Group. All financial results are consolidated with similar items on a line-by-line basis except for investments in associates, which are included in the Group's results as set out below. A listing of the Group's principal subsidiaries and joint ventures are set out in note 24 of the separate Annual Financial Statements of Aspen Pharmacare Holdings Ltd.

Subsidiaries

The financial results of subsidiaries (including special purpose entities, at this stage limited to the share trusts) are fully consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income.

Investments in subsidiaries are accounted for at cost less any accumulated impairment losses in the separate Annual Financial Statements of Aspen Pharmacare Holdings Ltd. None of the investments in subsidiaries are listed.

When the end date of the reporting period of the parent is different to that of the subsidiary, the subsidiary prepares, for consolidation purposes, additional Annual Financial Statements as of the same date as the Annual Financial Statements of the parent.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Joint ventures

The proportionate share of the financial results of joint ventures is consolidated into the Group's results from acquisition date until disposal date.

The Group combines its share of the joint venture's individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's Annual Financial Statements. The Group recognises the portion of gains and losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party, except where unrealised losses provide evidence of an impairment of the asset transferred. When the end date of the reporting period of the parent is different to that of the joint venture, the joint venture prepares, for consolidation purposes, additional Annual Financial Statements as of the same date as the Annual Financial Statements of the parent.

Investments in joint ventures are accounted for at cost less any accumulated impairment losses in the separate Annual Financial Statements of Aspen Pharmacare Holdings Ltd. None of the investments in joint ventures are listed.

Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Associates

The financial results of associates are included in the Group's results according to the equity method from acquisition date until disposal date. The Group's investments in associates includes goodwill identified at acquisition, net of any accumulated impairment losses.

Under this method, subsequent to the acquisition date, the Group's share of post-acquisition profits or losses of associates is recognised in the statement of comprehensive income as equity accounted earnings and its share of movements in post-acquisition equity reserves is recognised in the statement of changes in equity. Investments in associates are initially recognised at cost, and all cumulative post-acquisition movements in the equity of associates are adjusted against the cost of the investment. When the Group's share of losses in associates equals or exceeds its interest in those associates the Group does not recognise further losses, unless the Group has incurred a legal or constructive obligation or made payments on behalf of those associates. Dilution gains and losses arising in investments in associates are recognised in the statement of comprehensive income.

The total carrying value of associates is evaluated annually for impairment or when conditions indicate that a decline in fair value below the carrying amount is other than temporary. If impaired, the carrying value of the Group's share of the underlying assets of associates is written down to its estimated recoverable amount in accordance with the accounting policy on impairment and charged to the statement of comprehensive income as part of equity accounted earnings of those associates.

Investments in associates are accounted for at cost less accumulated impairment losses in the separate Annual Financial Statements of Aspen Pharmacare Holdings Ltd. None of the investments in associates are listed. When the end date of the reporting period of the parent is different to that of the associate, the associate prepares, for consolidation purposes, additional Annual Financial Statements as of the same date as the Annual Financial Statements of the parent.

Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Inter-company transactions and balances

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated on consolidation. To the extent that a loss on a transaction provides evidence of a reduction in the net realisable value of current assets or an impairment loss of a non-current asset, that loss is charged to the statement of comprehensive income.

In respect of joint ventures and associates, unrealised gains and losses are eliminated to the extent of the Group's interests in these entities.

Unrealised gains and losses arising from transactions with associates are eliminated against the investment in associates.

Transactions and non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired on the carrying value of the net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Business combinations and goodwill

The acquisition method of accounting is used when a business is acquired. A business may comprise an entity, group of entities or an unincorporated operation including its operating assets and associated liabilities.

The cost of an acquisition is measured as the fair value of the assets given up, equity instruments issued, or liabilities incurred or assumed at the date of exchange. Costs attributable to the acquisition are charged to the statement of comprehensive income. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of the acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the statement of comprehensive income. Non-controlling interests at acquisition date is determined as the non-controlling shareholders' proportionate share of the fair value of the net assets of the subsidiary acquired.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of acquired subsidiaries, businesses or joint ventures at the date of acquisition. Goodwill on the acquisition of subsidiaries, businesses and joint ventures is capitalised and shown separately on the face of the statement of financial position and carried at cost less accumulated impairment losses. Separately recognised goodwill is tested for impairment on an annual basis or where there is an indication of impairment. Impairment losses on goodwill are not reversed. Refer to the policy on impairment for more details on impairment testing.

The profit or loss realised on disposal or termination of an entity is calculated after taking into account the carrying value of any related goodwill.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

At the date of the acquisition, acquired deferred tax assets may not be fully recognised under IFRS. Adjustments to the initial recognition of acquired deferred tax assets under IFRS, subsequent to the acquisition date, are recognised in the statement of comprehensive income unless the adjustment qualified as a measurement period adjustment in which case it is recognised as an adjustment to goodwill.

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Contingent consideration in a business combination is included in the cost of a business combination at fair value on the date of acquisition. The classification of the arrangement into debt or equity will dictate the subsequent accounting. If the arrangement is classified as debt the amount will have to be re-measured at each reporting period to fair value with changes being recognised in the statement of comprehensive income. If the arrangement is classified as equity, then remeasurement is not allowed. Existing contingent consideration arrangements are however grandfathered under the standard that was in existence at the time of acquisition, being IFRS 3.

When the accounting for a business combination can only be determined provisionally at the date of reporting, provisional values are used. These provisional values are adjusted once the initial accounting has been completed, which must be within 12 months from the date of acquisition, by retrospectively adjusting the fair values of the net assets acquired and goodwill.

Foreign currency translation

Functional and presentation currency

Items included in the Annual Financial Statements of each entity in the Group are measured using the functional currency of the primary economic environment in which that entity operates. The consolidated Annual Financial Statements are presented in Rand, which is the functional and presentation currency of Aspen Pharmacare Holdings Ltd.

Foreign currency transactions (except for hyperinflationary economies)

Income and expenditure transactions are translated into the functional currency of the entity at the rate of exchange ruling at the transaction date. To the extent that transactions occur regularly throughout the year, they are translated at the average rate of exchange for the year since this is deemed to provide a reasonable approximation of the actual exchange rates prevailing at the dates on which those transactions occurred.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency of the entity at the rates of exchange ruling at year-end. Foreign exchange gains or losses resulting from the translation and settlement of monetary assets and liabilities are recognised in the statement of comprehensive income, except when they relate to cash flow hedging activities and are deferred in equity as qualifying cash flow hedges.

Translation differences on non-monetary financial assets and liabilities such as derivative financial instruments are recognised in other comprehensive income as part of the fair value gain or loss.

Foreign operations (except for hyperinflationary economies)

The results and financial position of all entities that have a functional currency different from the presentation currency of their parent entity are translated into the presentation currency. The basis for the translation is as follows:

- income and expenditure of foreign operations are translated into the Group's presentation currency at the average exchange rate for the year, unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenditure transactions are translated at the rates on the dates of the transactions;
- assets and liabilities, including fair value adjustments and goodwill arising on acquisition, are translated at the closing rate at year-end; and
- exchange differences arising on translation are recognised as currency translation differences in the foreign currency translation reserve in the statement of changes in equity and the statement of comprehensive income.

On consolidation, differences arising from the translation of the net investment in foreign operations, as well as borrowings and other currency instruments designated as hedges of such investments, are recognised as a separate component of equity.

On disposal of part or all of the foreign operation, the proportionate share of the related cumulative gains and losses previously recognised in the foreign currency translation reserve through the statement of changes in equity is included in determining the profit or loss on disposal of that foreign operation in the statement of comprehensive income.

Hyperinflationary economies

The results and financial position of foreign subsidiaries whose functional currency is the currency of a hyperinflationary economy are translated into a different presentation currency as follows:

- all amounts (assets, liabilities, equity items, income and expenses, including comparatives) are translated at the closing rate at the date of the most recent statement of financial position; except
- when amounts are translated into the currency of a non-hyperinflationary economy, comparative amounts are those that were presented as current year amounts in the relevant prior year Annual Financial Statements (not adjusted for subsequent changes in the price level or subsequent changes in exchange rates).

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses.

The cost of self-constructed assets includes expenditure on materials, direct labour and an allocated proportion of project overheads. Costs capitalised for work-in-progress in respect of activities to develop, expand or enhance items of property, plant and equipment are classified as part of assets under capital work-in-progress.

Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying value, or recognised as a separate asset, only when it is probable that the future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income in the period in which they are incurred.

Property, plant and equipment is depreciated to its estimated residual value on a straight-line basis over its expected useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each year-end date.

Land and buildings comprise mainly factories and office buildings. Owned land is not depreciated. Leasehold improvements are depreciated over the lesser of the period of the lease and the useful life of the asset.

Property, plant and equipment is tested for impairment whenever there is an indication that the asset may be impaired, in accordance with the requirements of IAS 36, Impairment of Assets. An asset's carrying value is written down immediately to its recoverable amount if the asset's carrying value is higher than the estimated recoverable amount.

Gains or losses on disposals of property, plant and equipment are determined by comparing proceeds with the carrying value and are included in operating profit in the statement of comprehensive income.

Costs directly attributable to major development projects of property, plant and equipment are capitalised to the asset.

Interest costs on borrowings to finance the construction of qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. When the construction is completed in parts and each part is capable of being used while construction continues on other parts, capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare that part for its intended use are completed. Other borrowing costs are expensed.

Intangible assets

Intangible assets are stated at historical cost less accumulated amortisation and accumulated impairment losses. Intangible assets are not revalued. Amortisation is included in other operating expenses in the statement of comprehensive income.

Intellectual property

Expenditure on acquired patents, trademarks, dossiers, licences and know-how is capitalised. Expenditure incurred to extend the term of the patents or trademarks is capitalised. All other expenditure is charged to the statement of comprehensive income when incurred. Intellectual property is recognised at cost and amortised on a straight-line basis over their estimated remaining useful lives, which ranged from 1 to 43 years during the financial year. Estimated useful lives are reviewed annually. In addition, some intangible assets included in this category are classified as indefinite life intangible assets. Indefinite life intangible assets are not amortised, but are tested annually for impairment.

Research and development

Research expenditure is charged to the statement of comprehensive income when incurred.

Development costs directly attributable to the production of new or substantially improved products or processes controlled by the Group are capitalised if the costs can be measured reliably, the products and processes are technically feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. All the remaining development costs are charged to the statement of comprehensive income.

The amounts that are recognised as intangible assets consist of all direct costs relating to the intellectual property and also include the cost of intellectual property development employees and an approximate portion of relevant overheads. Other development costs that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs are capitalised until the date of commercial production and are amortised from the commencement of the commercial sale of the product to which they relate, being the date at which all regulatory requirements necessary to commercialise the product are met, on a straight-line basis over the remaining useful lives, which ranged from 1 to 12 years during the financial year.

Product participation and other contractual rights

Rights acquired to co-market or manufacture certain third-party products are capitalised to intangible assets and the corresponding liabilities are recognised as deferred-payables where applicable. The cost of the product participation rights is determined as equating to the gross values of the corresponding liabilities, discounted to their present values using an appropriate discount rate on initial measurement. These rights are subsequently carried at amortised cost and are amortised as appropriate on either the reverse sum of digits or straight-line basis over the financial years of the agreements. The amortisation method is chosen to reflect the pattern in which the benefits relating to the rights are expected to flow to the Group.

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Drug master files

Drug master files include technical know-how relating to the drug master files acquired in business combinations and are carried at cost less accumulated amortisation and accumulated impairment losses. Drug master files are amortised over their expected remaining useful lives, which are estimated to be five years.

Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the estimated remaining useful lives.

Costs associated with developing or maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets if they meet the following criteria:

- the costs can be measured reliably;
- the software is technically feasible;
- future economic benefits are probable;
- the Group intends to and has sufficient resources to complete development; and
- the Group intends to use or sell the asset.

Direct costs include the cost of software development employees and an approximate portion of relevant overheads. Computer software development costs recognised as assets are amortised over their estimated useful lives.

The estimate of the remaining useful lives of software ranged between 1 and 10 years for the financial year.

Financial instruments

Financial assets

The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables; or
- derivative instruments designated as hedges.

The classification is dependent on the purpose for which the financial asset is acquired. Management determines the classification of its financial assets at the time of the initial recognition.

Financial assets are recognised when the Company becomes a party to the contractual provisions of the instrument or secures other access to economic benefits. Such assets consist of cash or a contractual right to receive cash or another financial asset.

Financial assets, or a portion of a financial asset, are derecognised when, and only when, the entity loses control of the contractual rights that comprise the financial asset (or a portion of the financial asset). Such control is lost if the entity realises the right to benefits specified in the contract, the rights expire, or the entity surrenders those rights.

Financial assets at fair value through profit or loss

Financial instruments are classified under this category if held for trading, or if designated at fair value through profit or loss at inception. A financial instrument is classified as held-for-trading if acquired or incurred principally for the purpose of selling it in the short term. For the purpose of these Annual Financial Statements short term is defined as three months. Derivatives are also classified as held-for-trading unless they are designated as hedges. Financial instruments in this category are classified as current assets and liabilities. Financial assets at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Realised and unrealised gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in the statement of comprehensive income during the period in which they arise. Financial derivative instruments on the statement of financial position are classified in this category.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These are included in current assets, except for maturities greater than 12 months from year-end, which are classified as non-current assets. Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost, less impairments, using the effective interest rate method. Loans and receivables comprise the other non-current financial assets, trade and other financial receivables, amounts due by Group companies, cash restricted for use and cash and cash equivalents.

Financial liabilities

Financial liabilities are classified into the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

The classification is dependent on the purpose for which the financial liabilities were acquired or incurred. Management determines the classification of its financial liabilities at the time of initial recognition.

Financial liabilities are recognised when there is an obligation to transfer benefits and that obligation is a contractual liability to deliver cash or another financial asset or to exchange financial instruments with another entity on potentially unfavourable terms. Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Financial liabilities at amortised cost

This category of financial liabilities comprises preference shares (liability component), borrowings, trade and other financial payables and amounts due to Group companies. These financial liabilities are initially recognised at fair value plus transaction costs, and are subsequently measured at amortised cost using the effective interest rate method.

Accounting for derivative financial instruments and hedging activities

The Group's criteria for a derivative instrument to be designated as a hedging instrument require that:

- the hedge transaction is expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk;
- the effectiveness of the hedge can be reliably measured throughout the duration of the hedge;
- there is adequate documentation of the hedging relationship at the inception of the hedge; and
- for cash flow hedges, the forecast that is the subject of the hedge must be highly probable.

The Group designates certain derivatives as one of the following on the date the derivative contract is entered into:

- a hedge of the exposure to changes in fair value of a recognised asset or liability or a firm commitment (fair value hedge); or
- a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of comprehensive income as financing costs/income, along with any changes in fair value of the hedged asset or liability that is attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest rate method is used is amortised in the statement of comprehensive income over the period to maturity.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The ineffective portion is recognised immediately in the statement of comprehensive income within financing costs. Where the forecast transaction or firm commitment results in the recognition of a non-financial asset or a non-financial liability, the gains or losses previously deferred in equity are transferred from equity and included in the initial cost or other carrying amount of the asset or liability. Otherwise, amounts deferred in equity are transferred to the statement of comprehensive income and classified as gains or losses in the same financial years during which the hedged firm commitment or forecast transaction affects the statement of comprehensive income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the statement of comprehensive income. When the forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income.

At the inception of the transaction the Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Movements on the hedging reserves in shareholders' equity are shown under non-distributable reserves in the statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting are recognised immediately in the statement of comprehensive income within financing costs.

Fair value estimation

The fair value of publicly traded derivatives is based on quoted market prices at year-end. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The fair value of forward exchange contracts is determined using forward exchange market rates at year-end.

Financial instruments that are measured at fair value in the statement of financial position are classified into the following levels of the fair value measurement hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the assets or liabilities, either directly, as prices, or indirectly, derived from prices (level 2); and

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- inputs for the assets or liabilities that are not based on observable market data, unobservable inputs (level 3).

Quoted market prices or dealer quotes for the specific or similar instruments are used for non-current debt. The fair values of non-current financial assets and deferred-payables for disclosure purposes are estimated by discounting the future contractual cash flows at the interest rates available to the Group at year-end. Other techniques, such as options pricing models and estimated discounted value of future cash flows, are used to determine fair value of the remaining financial instruments.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group makes assumptions that are based on market conditions existing at each year-end.

The carrying values of the following financial assets and financial liabilities approximate their fair values:
- trade and other financial receivables;
- cash and cash equivalents;
- other non-current financial receivables;
- amounts due to Group companies;
- amounts due by Group companies;
- trade and other financial payables;
- cash restricted for use;
- current borrowings; and
- non-current borrowings.

Information on the fair value of financial instruments is included in the respective notes.

Leased assets

Finance leases

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating leases

Leases where a significant portion of risks and rewards of ownership is retained by the lessor are classified as operating leases. Operating lease costs (net of any incentives from the lessor) are charged against operating profit on a straight-line basis over the period of the lease.

Inventories

Inventories are valued at the lower of cost- and net realisable value. Cost is determined on the first-in first-out basis. The carrying values of finished goods and work-in-progress include raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but exclude borrowing costs. Net realisable value is the estimate of the selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Trade receivables

Trade receivables are recognised initially at fair value (fair value is deemed to equal cost) and subsequently measured at amortised cost using the effective interest rate method, less the allowance account for losses. No fair value adjustment is made for the effect of time value of money where trade receivables have a short-term profile. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or late payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the recoverable amount of the asset, being the present value of the estimated future cash flow discounted at the original effective interest rate. This provision is recognised through the use of an allowance account for losses. The amount of the loss is included in the statement of comprehensive income within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for losses. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the statement of comprehensive income.

Cash and cash equivalents

Cash and cash equivalents are initially measured at fair value and subsequently carried at amortised cost. For the purposes of the statement of financial position, cash and cash equivalents comprise cash-on-hand and deposits held on call with banks. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash-on-hand, deposits held on call with banks less bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

Cash restricted for use

Cash which is subject to restrictions on its use is stated separately at carrying value in the statement of financial position.

Assets classified as held-for-sale

Assets (or disposal groups) are classified as held-for-sale if the carrying amount will be recovered principally through sale rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the assets (or disposal groups) are available for immediate sale in its present condition and management is committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of the classification.

Immediately prior to being classified as held-for-sale the carrying amount of assets and liabilities are measured in accordance with the applicable standard. After classification as held-for-sale it is measured at the lower of the carrying value and fair value less costs to sell. An impairment loss is recognised in the statement of comprehensive income for any initial and subsequent write-down of the asset and disposal group to fair value less costs to sell. A gain for any subsequent increase in fair value less costs to sell is recognised in the statement of comprehensive income to the extent that it is not in excess of the cumulative impairment loss previously recognised.

Assets (or disposal groups) that are classified as held-for-sale are not depreciated.

Tax

The current and deferred income tax charge is computed on the basis of reported income before tax for the year under the laws and regulations of the countries in which the respective Group companies are registered, using substantively enacted tax rates in the countries where the Group companies operate and generate taxable income. Income tax comprises current tax, deferred tax and dividend taxes, including secondary tax on companies.

Current tax

The current tax charge is the expected tax payable on taxable income for the year, and any adjustments to tax payable in respect of prior years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred tax is provided in full, using the liability method, at currently enacted or substantively enacted tax rates in operation at year-end, that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Full provision is made for all temporary differences between the tax base of an asset or liability and its statement of financial position carrying value.

No deferred tax asset or liability is recognised in those circumstances, other than a business combination, where the initial recognition of an asset or liability has no impact on accounting profit or taxable income.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current tax and deferred tax is charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Dividend taxes, including secondary tax on companies

Dividend taxes are recognised as a part of the income tax charge in the statement of comprehensive income in the same period as the related dividend.

The dividend tax effect of dividends paid on equity instruments is recognised in the period in which the Group declares the dividend. For financial instruments that are classified as liabilities, the dividend tax relating to any contractual payments is accrued in the same period as the interest accrual.

Share capital and share premium

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares are deducted from share premium.

Treasury shares

Equity shares in Aspen held by any Group company are classified as treasury shares. These shares are treated as a deduction from the issued and weighted average number of shares. The consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from Group equity until the shares are cancelled, reissued or disposed of. When such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to equity holders of the parent. Distributions received on treasury shares are eliminated on consolidation.

Compound financial instruments

Where financial instruments are issued that contain both liability and equity elements, their component parts are classified separately as liabilities or equity on initial recognition, in accordance with the substance of the contractual arrangements.

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For purposes of statement in financial position presentation, such instruments comprise two components:

- a financial liability (a contractual arrangement to deliver cash or other financial assets); and
- an equity instrument (a call option granting the holder the right, for a specified period of time, to convert into Aspen ordinary shares).

Accordingly, such liability and equity elements are presented separately on the statement of financial position.

The sum of the carrying values assigned to the liability and equity components on initial recognition equals the fair value ascribed to the instrument as a whole. No gain or loss arises from recognising and presenting the components of the instrument separately. The liability component is measured initially by discounting the stream of future cash flows at the prevailing market rate for a similar liability that does not have an associated equity component, and is carried on an amortised cost basis until extinguished on redemption or conversion. The carrying value of the equity instrument represented by the option to convert the instrument into ordinary shares is determined by deducting the initial carrying value of the financial liability from the fair value of the compound instrument as a whole.

The cumulative convertible preference shares and the deferred incentive bonuses are both compound financial instruments. Refer to notes 15 and 16 of the Group Annual Financial Statements.

Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective interest rate method, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment against the loan for liquidity services and amortised over the period of the facility to which it relates.

The entity presents separately current and non-current borrowings on the face of the statement of financial position. A liability is classified as current unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after year-end.

Borrowing costs directly attributable to major projects that necessarily take a substantial period of time to get ready for the intended use (qualifying assets) are capitalised over the period during which the asset is acquired or constructed until the asset is ready for its intended use or sale.

All other borrowing costs are dealt with in the statement of comprehensive income in the period in which they are incurred.

Employee benefits

Short-term obligations

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date, are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Provident fund obligations

It is the Group's policy to provide retirement benefits for its employees. Contributions to retirement benefit plans are charged against income in the year they become payable.

A defined contribution plan is a provident fund under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees relating to employee service in the current and prior financial years. For defined contribution plans, the Group pays contributions to publicly or privately held pension insurance plans on a mandatory, contractual or voluntary basis. Once the contributions have been paid, the Group has no further payment obligations. The payments made to provident funds are expensed as incurred and are included in staff costs. Refer to notes 20 and 26 of the Group Annual Financial Statements.

Post-retirement medical aid obligations

In terms of Group policy post-retirement medical aid benefits are not provided for employees who joined after 28 February 2000. However, due to previous employment benefits offered, the Group has honoured its contractual commitment in respect of post-retirement medical aid obligations to certain employees and pensioners employed before the change in policy.

The present value of the expected future defined benefit obligation is quantified to the extent that service has been rendered, and is reflected on the statement of financial position as a liability. Valuations of these obligations are carried out by independent actuaries on an annual basis using the projected unit credit method.

Annual charges incurred to reflect additional service rendered by employees as well as any variation resulting from changes in the employee composition, and all actuarial gains and losses from experience adjustments and changes in actuarial assumptions are charged/credited to the statement of comprehensive income in the year of incurral.

The Group has insured the pensioner contributions into the future through an approved pre-funding insurance policy. Contributions made to the policy together with investment returns thereon are disclosed as a plan asset in terms of IAS 19, Employee Benefits and reduce the post-retirement medical aid obligation.

Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminate the employment of current employees according to a detailed plan without possibility of withdrawal or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after year-end are discounted to present value.

Bonus plans

A liability for employee benefits in the form of bonus plans is recognised in trade and other payables when the entity is contractually obliged or where there is a past practice that has created a constructive obligation to settle the liability and at least one of the following conditions is met:

- there is a formal plan and amounts to be paid are determined before the time of issuing the Annual Financial Statements; or
- past practice has created a valid expectation by employees that they will receive a bonus and the amount can be determined prior to issuing the Annual Financial Statements.

Liabilities for bonus plans are expected to be settled within 12 months and are measured at the amounts expected to be paid when they are settled.

Share-based payments

The Group has equity-settled and cash-settled share-based compensation plans.

Share options, share appreciation rights, deferred incentive bonuses and phantom shares are granted to management and key employees. The schemes in operation are classified as equity-settled share-based compensation plans, except for the South African Management Deferred Incentive Bonus Scheme, which is a compound financial instrument with both an equity and cash settled portion and the Aspen International Phantom Share Scheme, which is a cash-settled scheme, under which the entity receives services from employees as consideration for equity instruments (options/rights) of the Group.

When instruments are exercised, the proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The Aspen Share Incentive Trusts regulate the operation of the share incentive schemes, and are consolidated into the Group Annual Financial Statements. Refer to note 15 of the Group Annual Financial Statements for more details on the schemes.

Equity-settled schemes

The equity-settled schemes (Aspen Share Incentive Scheme, Aspen Share Appreciation Plan, South African Management Deferred Incentive Bonus Scheme and Aspen South African Workers' Share Plan) allows certain employees the option or rights to acquire ordinary shares in Aspen Pharmacare Holdings Ltd. Such equity-settled share-based payments are measured at fair value at the date of the grant. The fair value determined at grant date of the equity-settled share-based payment is charged as employee costs, with a corresponding increase in equity, on a straight-line basis over the period that the employee becomes unconditionally entitled to the options, rights or shares, based on management's estimate of the shares that will vest and adjusted for the effect of non-market vesting conditions. These share options, rights and equity portion of the deferred incentive bonus are not subsequently revalued.

Fair value is determined using the binomial pricing model where applicable. The expected life used in the models has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions and behavioural considerations such as volatility, dividend yield and the vesting period. The fair value takes into account the terms and conditions on which the incentives are granted and the extent to which the employees have rendered services to the reporting date.

Compound financial instrument share scheme

The Group has entered into a share-based payment agreement whereby the employee has the right to choose either settlement in cash or settlement in equity. The entity has thus granted a compound financial instrument, which includes a debt component and an equity component.

On measurement date management has measured the fair value of the debt component first. Thereafter, the fair value of the equity instrument was measured, taking into consideration the fact that the employee forfeits the right to receive cash in order to obtain the shares.

The services received from the employees in respect of each component (debt and equity) shall be accounted for separately at each reporting date. The debt component will be accounted for as a cash-settled share-based payment arrangement. The debt component shall therefore be measured at fair value at each reporting date, with changes in fair value recognised in the statement of comprehensive income over the period that the employee provides services to the company.

Deferred revenue

Deferred revenue is stated separately on the statement of financial position and is recognised in the statement of comprehensive income over the period of the agreement. The amount expected to be realised within 12 months from year-end is shown as current and the amounts expected to be realised 12 months after year-end date is shown as non-current on the statement of financial position.

Accounting policies continued

for the year ended 30 June 2011

Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently stated at amortised cost using the effective interest rate method.

Directors' and prescribed officers' emoluments

The directors' and prescribed officers' emoluments disclosed in note 26 of the Group Annual Financial Statements represent the emoluments paid to, or receivable by, directors and prescribed officers in their capacity as director or prescribed officer, or any other capacity. All amounts in respect of the financial year reported on are presented, including bonuses not accrued for in the Annual Financial Statements. The gain on shares exercised represents the actual gain realised in the year, and represents the difference between grant price and exercise price. This disclosure is provided in terms of the JSE's Listings Requirements.

Impairment

The Group reviews the carrying value of its tangible and intangible assets (except for inventories) annually and if events occur which call into question the carrying value of the assets to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of the asset is estimated, being the higher of the asset's fair value less cost to sell and value-in-use. In assessing value-in-use the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows (cash-generating units). Where the carrying value exceeds the estimated recoverable amount, such assets are written down to their recoverable amount.

In addition, IAS 36, Impairment of Assets requires:

- the recoverable amounts of intangible assets not yet available for use are assessed for impairment annually, irrespective of whether there is an indication that they may be impaired;
- the recoverable amounts of intangible assets with indefinite useful lives are assessed for impairment annually, irrespective of whether there is an indication that they may be impaired; and
- goodwill acquired in a business combination is tested for impairment annually.

Impairment losses recognised for goodwill are not reversed in subsequent financial years. Non-financial assets other than goodwill that have been impaired in past financial years are reviewed for possible reversal of impairment at each reporting date.

The Group assesses at each year-end date whether there is objective evidence that a financial asset or group of financial assets is impaired. Impairment testing of trade receivables is described in note 36 of the Group Annual Financial Statements.

REVENUE RECOGNITION

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue, net of trade discounts, distribution fees paid to independent wholesalers and excluding value added tax, comprises the total invoice value of goods, co-marketing fees, royalties and licensing fees. In the determination of revenue, all intra-group transactions are excluded.

Sales are recorded when significant risks and rewards of ownership of the goods are transferred to the buyer based on the date goods are delivered to customers, the amount of revenue can be measured reliably and it is probable that future economic benefits will flow to the entity. Revenue arising from co-marketing and royalty agreements is recognised on the accrual basis in accordance with the substance of the relevant agreements. Upfront payments received under licensing and other agreements are recognised as deferred revenue and released to the statement of comprehensive income over the period of the agreement.

Other income and investment income

Rental income received under operating leases is accounted for on a straight-line basis over the period of the lease.

Investment income is recognised on a time-proportion basis, taking account of the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group. When a receivable is impaired, the Group reduces the carrying value to its recoverable amount, being the estimated future cash flows discounted at the original effective interest rate of the instrument, and continues to unwind the discount as investment income.

Dividends are recognised when the right to receive payment is established.

Headline earnings per share

The calculation of headline earnings per share is based on the profit attributable to equity holders of the parent, after excluding all items of a non-trading nature, divided by the weighted average number of ordinary shares in issue during the year. The presentation of headline earnings is not an IFRS requirement, but is required by the JSE's Listings Requirements and Circular 3 of 2009.

An itemised reconciliation of the adjustments to profit attributable to equity holders of the parent is provided in note 30 of the Group Annual Financial Statements.

Discontinued operations

The profit or loss on the disposal or abandonment of a discontinued operation is determined from the date when the entity enters into a binding sale agreement or when there is a formal plan and it is announced. The profit or loss includes operating results from this date as well as all costs and expenses directly associated with the disposal.

If a loss is expected, full provision is made from the discontinuance date. If a profit is expected, it is recognised only when realised. Profits or losses in respect of the discontinued operations are included in attributable profits of the Group until date of discontinuance.

The results of discontinued operations are presented separately in the statement of comprehensive income.

Segmental reporting

Reporting segments

The Group has three main reportable segments that comprise the structure used by the chief operating decision-maker to make key operating decisions and assess performance. The Group's reportable segments are operating segments that are differentiated by geographical areas with each segment having different market dynamics and market strategies.

The Group evaluates the performance of its reportable segments based on operating profit. The Group accounts for inter-segment sales and transfers as if the sales and the transfers were entered into under the same terms and conditions as would have been entered into in a market-related transaction.

The financial information of the Group's reportable segments is reported to the chief operating decision-maker for purposes of allocating resources to the segment and assessing its performance.

Each of the reportable segments are managed by a segment manager.

In addition to the main reportable segments, the Group also includes a geographical analysis of revenue. The following segments have been identified:

- South Africa – pharmaceutical;
- South Africa – consumer;
- Sub-Saharan Africa;
- Asia Pacific;
- Latin America; and
- Rest of the World.

The South African pharmaceutical business comprises prescription generic and branded pharmaceutical products, OTC products and APIs. All schedule 2 medicines and upwards are included in the pharmaceutical business.

The South African consumer business comprises self-medication OTC products, consumer products and infant nutritional products. Schedule 0 and 1 medicines are included in the consumer business.

Rest of the World consists of all operations in geographical areas that do not have a specific segment allocated to it.

Distributions to shareholders

Capital distributions to ordinary shareholders and ordinary dividends are only accounted for in the Annual Financial Statements in the year in which the capital distributions or dividends are approved by the Company's shareholders.

Preference shares dividends payable are recognised as the dividends accrue to preference shareholders and are included in financing costs.

Comparative figures

Comparative figures are reclassified or restated as necessary to afford a proper and more meaningful comparison of results as set out in the affected notes to the Annual Financial Statements.

The statement of comprehensive income, the statement of cash flows and the segmental analysis for the year ended 30 June 2010 were restated to exclude the discontinued operations.

Operations classified as discontinued include the following:

- the South African personal care products disposed of during the year and subsequent to year-end;
- the products acquired from GSK and subsequently sold back to GSK for the territories of India, Pakistan, Bangladesh, Sri Lanka and Afghanistan;
- the Oncology business; and
- the Campos facility and related products in Brazil.

The segmental analysis for the year ended 30 June 2010 was restated to aggregate the revenue of the domestic and global brands as a result of the transition of a significant portion of the global brands to Aspen's global distribution network.

Reconciliation of normalised headline earnings per share

A supplementary unaudited reconciliation between headline earnings and normalised headline earnings is provided for convenience only. This is not an IFRS requirement. Refer to page 274.

Convenience translation from South African Rand to US Dollar

The presentation currency of the Group is Rand. Supplementary unaudited US Dollar information is provided for convenience only. Refer to page 276.

The conversion to US Dollar is performed as follows:

- assets and liabilities are translated at the closing rate of exchange ruling at year-end;
- income and expenses are translated at average rates of exchange for the years presented except for significant transactions which are translated at rates of exchange ruling on the transaction dates; and
- the resulting translation differences are included in shareholders' equity.

Accounting policies continued

for the year ended 30 June 2011

NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS

The following standards, amendments and interpretations are effective for the first time for the year ended 30 June 2011:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 2 (Amendment), Group cash-settled share-based payment transactions	The amendment clarifies the accounting for Group cash-settled share-based payment transactions. The entity receiving the goods or services shall measure the share-based payment transaction as equity-settled only when the awards granted are its own equity instruments, or the entity has no obligation to settle the share-based payment transaction. The entity settling a share-based payment transaction when another entity in the Group receives the goods or services recognises the transaction as equity-settled only if it is settled in its own equity instruments. In all other cases, the transaction is accounted for as cash-settled.	Financial years beginning on or after 1 January 2010	The Group applied this amendment prospectively to all cash-settled share-based payment transactions from 1 January 2010
Amendments to IAS 32, classification of rights issued (Amendment)	The amendment clarifies the accounting treatment when rights issues are denominated in a currency other that the functional currency of the issuer. The amendment states that if such rights are issued pro-rata to an entity's existing shareholders for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated.	Financial years beginning on or after 1 February 2010	No impact on the Group's Annual Financial Statements
Amendment to IFRS 1, Limited Exemption from Comparative IFRS 7 disclosures for First-time Adopters	The amendment to IFRS 1 provides first-time adopters with the same transition provisions as included in the amendments of IFRS 7.	Financial years beginning on or after 1 July 2010	Not applicable to the Group's Annual Financial Statements
Improvements to IFRS (Issued April 2009)	This is a collection of amendments to IFRS. These amendments are the result of conclusions the International Accounting Standards Board reached on proposals made in its annual improvements project. The following standards and interpretations were amended: • IFRS 2, Share-based payments *(effective for financial years beginning on or after 1 July 2009)*; • IFRS 5, Non-current Assets Held-for-Sale and Discontinued Operations; • IFRS 8, Operating Segments; • IAS 1, Presentation of Financial Statements; • IAS 7, Statement of Cash Flows; • IAS 17, Leases; • IAS 18, Revenue; • IAS 36, Impairment of Assets; • IAS 38, Intangible Assets *(effective for financial years beginning on or after 1 July 2009)*; • IAS 39, Financial Instruments: Recognition and Measurement; • IFRIC 9, Reassessment of Embedded Derivatives (effective for financial years beginning on or after 1 July 2009); and • IFRIC 16, Hedges of a Net Investment in a Foreign Operation *(effective for financial years beginning on or after 1 July 2009).*	Unless otherwise specified the amendments are effective for financial years beginning on or after 1 January 2010	No material impact on the Group's Annual Financial Statements.

The following accounting standards, amendments and interpretations, that are not mandatory for the year ended 30 June 2011 and have been published prior to the date of signature of this report:

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IAS 24 – Related Party Disclosures	This amendment provides partial relief from the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party.	Financial years beginning on or after 1 January 2011	No impact on the Group's Annual Financial Statements
IFRS 9 – Financial Instruments	This IFRS is part of the International Accounting Standards Board's project to replace IAS 39. IFRS 9 addresses classification and measurement of financial assets and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value.	Financial years beginning on or after 1 January 2013	The Group will apply this revised standard to all financial instruments for financial years beginning on or after 1 January 2013
Amendments to IFRS 1, First-time Adoption on hyperinflation and fixed dates *(Note that as at 31 January 2011 this amendment has not been approved by the Accounting Practices Board)*	The first amendment replaces references to a fixed date of '1 January 2004' with 'the date of transition to IFRS, thus eliminating the need for companies adopting IFRS for the first time to restate derecognition transactions that occurred before the date of transition to IFRS. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRS after a period when the entity was unable to comply with IFRS because its functional currency was subject to severe hyperinflation.	Financial years beginning on or after 1 July 2011	Not applicable to the Group's Annual Financial Statements
IFRIC 14, Prepayments of a Minimum Funding Requirement (Amendment)	This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan. It removes an unintended consequence of IFRIC 14 (AC 447) related to voluntary pension prepayments when there is a minimum funding requirement.	Financial years beginning on or after 1 January 2011	No impact on the Group's Annual Financial Statements
Amendment to IFRS 7 Disclosures – Transfer of Financial Assets	The amendments are intended to address concerns raised during the financial crisis by the G20, among others, that Annual Financial Statements did not allow users to understand the ongoing risks the entity faced due to derecognised receivables and other financial assets.	Financial years beginning on or after 1 July 2011	No impact on the Group's Annual Financial Statements

Accounting policies continued

for the year ended 30 June 2011

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
Amendment to IAS 12, Income Taxes on deferred tax	Currently IAS 12, Income Taxes, requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. Hence this amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, Income Taxes – recovery of revalued non-depreciable assets, would no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is accordingly withdrawn.	Financial years beginning on or after 1 January 2012	Not applicable to the Group's Annual Financial Statements
Amendments to IAS 1, Presentation of Financial Statements, on presentation of items of other comprehensive income	The International Accounting Standards Board has issued an amendment to IAS 1, Presentation of financial statements. The amendment changes the disclosure of items presented in other comprehensive income in the statement of comprehensive income. The International Accounting Standards Board originally proposed that all entities should present profit or loss and other comprehensive income in the statement together in a single statement of comprehensive income. The proposal has been withdrawn and IAS 1 will still permit profit or loss and other comprehensive income to be presented in either a single statement or in two consecutive statements. The amendment does not address which items should be presented in other comprehensive income and the option to present items of other comprehensive income either before tax or net of tax has been retained.	Financial years beginning on or after 1 July 2012	No material impact on the Group's Annual Financial Statements
Amendments to IAS 19, Employee benefits	The International Accounting Standards Board has issued an amendment to IAS 19, Employee benefits, which makes significant changes to the recognition and measurement of defined benefit pension expense and termination benefits, and to the disclosures for all employee benefits.	Financial years beginning on or after 1 January 2013	The Group will apply this amendment to all employee benefits for financial years beginning on or after 1 January 2013
IFRS 9, Financial Instruments (2010)	The International Accounting Standards Board has updated IFRS 9, Financial instruments, to include guidance on financial liabilities and derecognition of financial instruments. The accounting and presentation for financial liabilities and for derecognising financial instruments has been relocated from IAS 39, Financial instruments: Recognition and measurement, without change, except for financial liabilities that are designated at fair value through profit or loss.	Financial years beginning on or after 1 January 2013	The Group will apply this revised standard to all financial instruments for financial years beginning on or after 1 January 2013

Standards, amendments and interpretations	Description	Effective date	Effect on the Group
IFRS 10, Consolidated financial statements	This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements. The standard provides additional guidance to assist in determining control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements
IFRS 12, Disclosures of interests in other entities	This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off statement of financial position vehicles.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements
IFRS 13, Fair value measurement	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS or US GAAP.	Financial years beginning on or after 1 January 2013	The Group will apply this revised standard to financial years beginning on or after 1 January 2013
IAS 27 (revised 2011), Separate financial statements	This standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements
IAS 28 (revised 2011), Associates and joint ventures	This standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.	Financial years beginning on or after 1 January 2013	No material impact on the Group's Annual Financial Statements

Improvements to IFRS

This is a collection of amendments to IFRS. These amendments are the result of conclusions the International Accounting Standards Board reached on proposals made in its annual improvements project. The annual improvements project provides a vehicle for making non-urgent but necessary amendments to IFRS. Some amendments involve consequential amendments to other IFRS. Unless otherwise specified the amendments are effective for financial years beginning on or after 1 January 2011.

The following standards were amended:

- IFRS 1, First-time Adoption of IFRS;
- IFRS 3, Business Combinations (effective for financial years beginning on or after 1 July 2010);
- IFRS 7, Financial Instruments: Disclosures;
- IAS 1, Presentation of Financial Statements;
- IAS 27, Consolidated and Separate Financial Statements (effective for financial years beginning on or after 1 July 2010);
- IAS 34, Interim Financial Reporting; and
- IFRIC 13, Customer Loyalty Programmes.

Significant judgements and estimates

The Group is often required to make estimates and assumptions regarding the future. The estimates will, by definition, rarely equal the actual results achieved. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities are discussed below. Estimates and judgements are continually re-assessed and are based on historical experience as well as other factors, including expectations of future events that are believed to be reasonable under the circumstances.

DEPRECIATION AND AMORTISATION RATES AND RESIDUAL VALUES

The Group depreciates or amortises its assets over their estimated useful lives, as more fully described in the accounting policies for property, plant and equipment and intangible assets. The estimation of the useful lives of assets is based on historic performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. The actual lives of these assets can vary depending on a variety of factors, including technological innovation, product lifecycles and maintenance programmes.

Significant judgement is applied by management when determining the residual values for property, plant and equipment and intangible assets. In the event of contractual obligations in terms of which a termination consideration is payable to the Group, management will apply a residual value to the intangible asset. When determining the residual value for property, plant and equipment the following factors are taken into account:

- external residual value information (if available); and
- internal technical assessments for complex plant and machinery.

Refer to notes 1 and 3 of the Group Annual Financial Statements and notes 1 and 2 of the Company Annual Financial Statements.

INDEFINITE USEFUL LIFE INTANGIBLE ASSETS

Judgement is applied when assessing whether an intangible asset has a finite or an indefinite useful life.

Significant judgement is needed by management when determining the classification of intangible assets as indefinite useful life assets. The following factors are taken into account when this classification is made:

- the ability to use the asset efficiently. Historical product sales, volume and profitability trends as well as the expected uses for the asset further evident from budgets, future growth and plans to invest in each of the assets over the long term are taken into account when this is being assessed;
- estimates of useful lives of similar assets – historical trends, market sentiment and/or the impact of any competitive activity will be taken into account;
- the strategy (2012 budget, specific marketing plans, specific enhancement plans and the identification of new markets) for obtaining maximum economic benefit from the asset;
- rates of technical, technological or commercial obsolescence in the industry are very slow and evident in the fact that most of the reinvestment in technology is mainly expansion rather than replacement due to obsolescence;
- the stability of the industry and economy in which the asset will be deployed;
- expected actions by competitors and potential competitors;
- the willingness and ability of the entity to commit resources to maintain the performance of the asset;
- the period of the entity's control over the asset and any legal or other restrictions on its ability to use the asset;
- redundancy of a similar medication due to changes in market preferences; and
- development of new drugs treating the same disease.

Refer to note 3 of the Group Annual Financial Statements and note 2 of the Company Annual Financial Statements.

IMPAIRMENT OF ASSETS

Property, plant and equipment, goodwill and intangible assets are assessed for impairment at least annually, as more fully described in the accounting policy in respect of impairment and note 39 of the Group Annual Financial Statements. The future cash flows are assessed, taking into account forecast market conditions and the expected lives of these assets. The present value of these cash flows is compared to the current net asset value.

Refer to notes 1, 2 and 3 of the Group Annual Financial Statements and notes 1 and 2 of the Company Annual Financial Statements.

VALUATION OF DERIVATIVE FINANCIAL INSTRUMENTS

The valuation of derivative financial instruments is based on the market situation at year-end. The net market value of all forward exchange contracts at year-end was calculated by comparing the forward exchange contracted rates to the equivalent year-end market foreign exchange rates. The present value of these net market values was then discounted using the appropriate currency specific discount curve. The fair value of publicly traded derivatives is based on quoted market prices at year-end. The fair value of interest rate swaps is calculated as the present value of estimated future cash flows. The value of these derivative instruments fluctuates on a daily basis and the actual amounts realised may differ materially from the value at which they are reflected on the statement of financial position.

Refer to notes 9 and 22 of the Group Annual Financial Statements.

ALLOWANCE ACCOUNT FOR LOSSES

The Group insures private market customers where possible and provision is made for the uninsured balance of long outstanding debtors where it considers the recoverability to be doubtful.

A significant degree of judgement is applied by management when considering whether a debtor is recoverable or not.

The following factors are taken into account when considering whether a debtor is impaired:
- default of payments;
- history of the specific customer with the Group;
- indications of financial difficulties of the specific customer;
- credit terms specific to the customer; and
- general economic conditions.

Refer to note 8 of the Group Annual Financial Statements.

CALCULATION OF SHARE-BASED PAYMENT EXPENSE

The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management. The calculation of the share-based payment expense in respect of share options, share appreciation rights, deferred incentive bonus and phantom bonus share scheme is based on the valuation of instruments at grant date, determined with the use of the binomial model. This model requires the use of several assumptions, among which the expected volatility of the Aspen share price, expected dividend yield and assumptions regarding percentages of instruments expected to vest. These assumptions are reviewed on an annual basis to take account of changes in circumstances.

Refer to note 15 of the Group Annual Financial Statements.

RECOGNITION OF DEFERRED TAX ASSETS IN RESPECT OF ASSESSED LOSSES

Deferred tax assets have been recognised for the carry forward amount of unused tax losses relating to the Group's operations where, among other things, tax losses can be carried forward indefinitely and there is evidence that it is probable that sufficient taxable profits will be available in the future to utilise all tax losses carried forward. Deferred tax assets are not recognised for carry forward of unused tax losses when it cannot be demonstrated that it is probable that taxable profits will be available against which the deductible temporary difference can be utilised.

The likelihood of a deferred tax asset being recognised is based on the future profitability of the underlying business. In determining whether a business will have future taxable profits to utilise against assessed losses, management will take into account budgets as well as updated forecasts for future periods.

Refer to note 6 of the Group Annual Financial Statements.

DETERMINATION OF NET REALISABLE VALUE OF INVENTORIES

Net realisable value is the estimate of the selling price of inventories in the ordinary course of business, less the costs of completion and applicable variable selling expenses. Management is required to exercise considerable judgement in the determination of this estimate, specifically relating to the forecasting of demand.

Management is also required to exercise significant judgement in estimating the provision for obsolete stock. Such judgement would take into account the following:
- change in technology;
- regulatory requirements; and
- stock nearing expiry dates.

Refer to note 7 of the Group Annual Financial Statements.

Significant judgements and estimates continued

ACCOUNTING FOR COMPOUND FINANCIAL INSTRUMENTS

Transactions involving compound financial instruments are accounted for under IFRS 2, IAS 32 and 39. The effect of this is that the difference between the issue price of ordinary and preference shares issued and the market value at the date of the transaction is charged to the statement of comprehensive income. The determination of market value requires the use of judgement.

Refer to notes 15 and 16 of the Group Annual Financial Statements.

RETIREMENT BENEFIT OBLIGATIONS

An updated actuarial valuation is correct as at the end of each financial year for the deferred benefit plans and post-retirement liabilities of the Group. Key assumptions used to determine the net assets and liabilities of these obligations are set out in note 20 of the Group Annual Financial Statements.

FAIR VALUE DETERMINATION IN BUSINESS COMBINATIONS

IFRS 3 Revised requires all assets, liabilities and contingent liabilities to be measured at fair value when accounting for business combinations. Aspen makes use of various valuation methodologies in determining these fair values, including the use of reputable independent valuers. Valuations are inherently subjective, and require the use of judgement. Judgement is applied in determining the allocation of goodwill to different cash-generating units. The allocation is done based on the expected benefit arising from synergies due to the business combinations.

INITIAL ACCOUNTING FOR BUSINESS COMBINATION DETERMINED PROVISIONALLY

The initial accounting for specific business acquisitions in the current year have been reported on a provisional basis and will only be finalised in the year ending 30 June 2012.

Refer to note 37 of the Group Annual Financial Statements.

DETERMINATION OF AVERAGE TRANSLATION RATES

Income and expenditure transactions are translated using the average rate of exchange for the year. Management considers the average rate to approximate the actual rates prevailing on the dates on which these transactions occur.

FAIR VALUE DETERMINATION

The carrying values of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values.

Notes to the Group Annual Financial Statements
for the year ended 30 June 2011

Non-current assets

	Notes	2011 R'million	2010 R'million
Property, plant and equipment	1	**3 651,5**	3 012,4
Goodwill	2	**4 626,6**	456,1
Intangible assets	3	**8 916,7**	8 609,9
Investments in associate	4	**–**	2,0
Other non-current financial receivables	5	**11,8**	32,4
Deferred tax assets	6	**216,5**	65,5
		17 423,1	12 178,3

1. PROPERTY, PLANT AND EQUIPMENT

2011	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
OWNED						
Carrying value						
Cost	1 894,1	1 822,8	80,0	82,9	561,1	**4 440,9**
Accumulated depreciation	(127,4)	(509,3)	(46,7)	(46,7)	–	**(730,1)**
Accumulated impairment losses	(59,2)	(18,7)	–	(4,0)	–	**(81,9)**
Carrying value at the end of the year	1 707,5	1 294,8	33,3	32,2	561,1	**3 628,9**
Movement in property, plant and equipment						
Carrying value at the beginning of the year	1 177,2	1 068,8	20,1	39,7	663,5	**2 969,3**
Acquisition of subsidiaries and businesses	444,8	122,0	–	0,3	–	**567,1**
Additions – expansion	10,1	71,6	8,0	7,4	385,8	**482,9**
Additions – replacement	12,1	24,5	0,8	1,1	123,0	**161,5**
Additions – borrowing costs capitalised	–	–	–	–	14,4	**14,4***
Disposals	(0,1)	(4,3)	(0,3)	(0,5)	–	**(5,2)**
Depreciation	(49,4)	(135,4)	(12,2)	(9,5)	–	**(206,5)**
Reclassification between categories	239,3	328,8	16,7	2,0	(587,7)	**(0,9)**
Reclassification to intangible assets	–	–	–	–	(31,5)	**(31,5)**
Impairment	–	(2,2)	–	(2,5)	(5,3)	**(10,0)**
Reclassification to assets held-for-sale	(125,0)	(174,9)	–	(4,7)	(2,0)	**(306,6)**
Translation of foreign operations	(1,5)	(4,2)	0,2	(1,3)	0,9	**(5,9)**
Hyperinflationary adjustment – Venezuela	–	0,1	–	0,2	–	**0,3**
Carrying value at the end of the year	1 707,5	1 294,8	33,3	32,2	561,1	**3 628,9**
LEASED						
Carrying value						
Cost	18,1	11,1	15,7	0,2	–	**45,1**
Accumulated depreciation	(8,2)	(5,0)	(9,3)	–	–	**(22,5)**
Carrying value at the end of the year	9,9	6,1	6,4	0,2	–	**22,6**
Movement in property, plant and equipment						
Carrying value at the beginning of the year	12,8	23,0	7,3	–	–	**43,1**
Acquisition of subsidiaries and businesses	–	2,0	–	–	–	**2,0**
Reclassification between categories	–	0,9	–	–	–	**0,9**
Additions – expansion	1,2	1,9	3,5	0,2	–	**6,8**
Additions – replacement	–	–	0,3	–	–	**0,3**
Reclassification to assets held-for-sale	–	(20,8)	–	–	–	**(20,8)**
Depreciation	(3,2)	(0,6)	(4,7)	–	–	**(8,5)**
Translation of foreign operations	(0,9)	(0,3)	–	–	–	**(1,2)**
Carrying value at the end of the year	9,9	6,1	6,4	0,2	–	**22,6**
TOTAL OWNED AND LEASED	1 717,4	1 300,9	39,7	32,4	561,1	**3 651,5**

**Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 7,2% (2010: 9,1%).*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

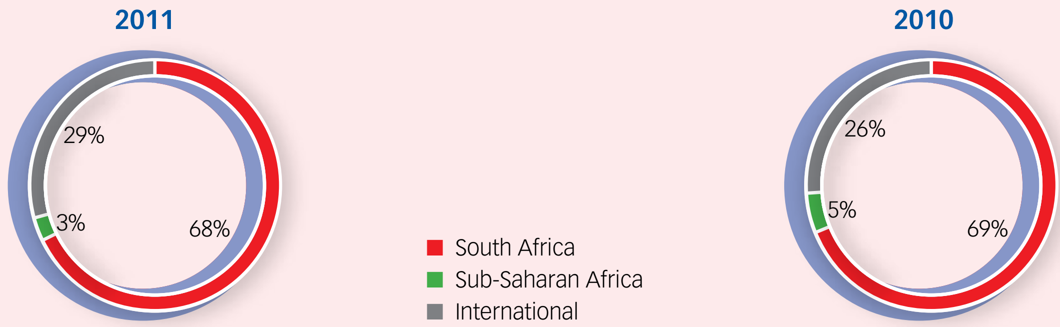
Non-current assets continued

1. PROPERTY, PLANT AND EQUIPMENT continued

2010	Land and buildings R'million	Plant and equipment R'million	Computer equipment R'million	Office equipment and furniture R'million	Capital work-in-progress R'million	Total R'million
OWNED						
Carrying value						
Cost	1284,2	1 502,5	64,4	84,6	663,5	3 599,2
Accumulated depreciation	(88,2)	(417,5)	(44,3)	(43,5)	–	(593,5)
Accumulated impairment losses	(18,8)	(16,2)	–	(1,4)	–	(36,4)
Carrying value at the end of the year	1 177,2	1 068,8	20,1	39,7	663,5	2 969,3
Movement in property, plant and equipment						
Carrying value at the beginning of the year	570,9	704,0	14,4	36,6	991,6	2 317,5
Additions – expansion	22,8	60,1	5,2	10,8	339,7	438,6
Additions – replacement	2,1	15,2	6,4	0,4	166,4	190,5
Additions – borrowing costs capitalised	–	–	–	–	11,9	11,9*
Additions – GSK transactions	268,6	98,9	0,5	1,0	33,9	402,9
Disposals	(4,4)	(6,3)	(0,1)	(1,4)	–	(12,2)
Disposal of Onco Therapies Ltd	(17,8)	(78,6)	(0,2)	(1,3)	(31,4)	(129,3)
Depreciation	(29,9)	(102,8)	(9,8)	(11,9)	–	(154,4)
Reclassification between categories	421,0	401,4	3,6	8,6	(824,1)	10,5
Reclassification to intangible assets	–	–	–	–	(15,6)	(15,6)
Impairment	(18,6)	(16,1)	–	(2,0)	(0,9)	(37,6)
Reclassification to assets held-for-sale	(1,6)	–	–	–	–	(1,6)
Translation of foreign operations	(35,9)	(7,2)	–	(1,4)	(8,0)	(52,5)
Hyperinflationary adjustment – Venezuela	–	0,2	0,1	0,3	–	0,6
Carrying value at the end of the year	1 177,2	1 068,8	20,1	39,7	663,5	2 969,3
LEASED						
Carrying value						
Cost	18,3	40,5	14,7	–	–	73,5
Accumulated depreciation	(5,5)	(17,5)	(7,4)	–	–	(30,4)
Carrying value at the end of the year	12,8	23,0	7,3	–	–	43,1
Movement in property, plant and equipment						
Carrying value at the beginning of the year	13,3	38,7	4,0	–	–	56,0
Reclassification between categories	1,4	(11,9)	–	–	–	(10,5)
Additions – expansion	2,9	0,7	3,1	–	–	6,7
Additions – replacement	–	–	4,4	–	–	4,4
Disposals	(0,7)	(0,3)	–	–	–	(1,0)
Disposal of Onco Therapies Ltd	(1,4)	–	–	–	–	(1,4)
Depreciation	(2,5)	(6,7)	(4,2)	–	–	(13,4)
Translation of foreign operations	(0,2)	2,5	–	–	–	2,3
Carrying value at the end of the year	12,8	23,0	7,3	–	–	43,1
TOTAL OWNED AND LEASED	1 190,0	1 091,8	27,4	39,7	663,5	3 012,4
2009						
OWNED						
Carrying value						
Cost	630,6	1 033,6	52,4	73,1	991,6	2 781,3
Accumulated depreciation	(59,7)	(329,6)	(38,0)	(36,5)	–	(463,8)
Carrying value at the end of the year	570,9	704,0	14,4	36,6	991,6	2 317,5
LEASED						
Carrying value						
Cost	16,5	54,2	7,9	–	–	78,6
Accumulated depreciation	(3,2)	(15,5)	(3,9)	–	–	(22,6)
Carrying value at the end of the year	13,3	38,7	4,0	–	–	56,0
TOTAL OWNED AND LEASED	584,2	742,7	18,4	36,6	991,6	2 373,5

**Borrowing costs capitalised represent financing costs arising on the construction of qualifying assets. The average effective interest rate for the year was 7,2% (2010: 9,1%).*

Property, plant and equipment (carrying value)



	2011 R'million	2010 R'million
The breakdown of the land and buildings amounts is as follows		
Land	**326,2**	151,2
Buildings	**1 391,2**	1 038,8
	1 717,4	1 190,0

Depreciation rates	
The estimated remaining useful life information for 2011 was as follows	
Buildings (including leasehold improvements)	**Up to 60 years**
Plant and equipment	**Up to 30 years**
Computer equipment	**Up to 7 years**
Office equipment and furniture	**Up to 10 years**

The Group has reviewed the residual values and useful lives of the assets. No material adjustment resulted from such review in the current year.

The estimation of useful lives of property, plant and equipment is based on historical performance as well as expectations about future use and therefore requires a significant degree of judgement to be applied by management. These depreciation rates represent management's current best estimate of the useful lives of these assets.

Depreciation

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Non-current assets continued

	2011 R'million	2010 R'million
1. PROPERTY, PLANT AND EQUIPMENT continued		
Capital commitments		
Capital commitments, excluding potential capitalised borrowing costs, include all projects for which specific Board approval has been obtained up to the reporting date. Projects still under investigation for which specific Board approvals have not yet been obtained are excluded from the following		
Authorised and contracted for	**134,2**	61,4
Authorised but not yet contracted for	**275,3**	502,8
Funding		
Capital expenditure will be financed from funds generated out of normal business operations, existing borrowing facilities and specific project financing.		
Other disclosures		
Carrying value of assets committed as security for debt (refer to note 18)	**60,9**	106,3
Expenditure capitalised in the construction of qualifying assets – excluding borrowing costs (included in capital work-in-progress)	**91,5**	73,9
Impairment of property, plant and equipment (included in other operating expenses)		
The impairment of property, plant and equipment can be split as follows		
South Africa	**6,2**	0,6
Sub-Saharan Africa	**–**	1,2
International	**3,8**	35,8
	10,0	37,6

The carrying value of property, plant and equipment has been determined based on value-in-use calculations.

South Africa

These amounts related to feasibility projects where the project was not proceeded with.

International

This amount includes R2,5 million which related to an impairment of an enterprise resource planning system in Brazil. It was replaced by updated software.

In the prior year, the expected cash flows from the Vittoria facility in Brazil resulted in an impairment. No further impairments were necessary in the current year. The discount rate used to determine the value-in-use was 10,8% (2010: 13,4%).

2. GOODWILL

	2011 R'million	2010 R'million
Reconciliation of movement		
Carrying value at the beginning of the year	**456,1**	398,4
Sigma pharmaceutical business	**4 029,0**	–
GSK transactions	**–**	61,6
Disposal of joint ventures	**–**	(4,8)
Reclassification to assets held-for-sale	**–**	(0,2)
Translation of foreign operations	**141,5**	1,1
Carrying value at the end of the year	**4 626,6**	456,1

For the purposes of impairment testing, goodwill is allocated to the smallest cash-generating unit. Impairment testing in respect of goodwill is performed at each reporting date by comparing the recoverable amount based on value-in-use of the cash-generating unit to the carrying value. Refer to note 39 for detail.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Non-current assets continued

3. INTANGIBLE ASSETS

2011	Intellectual property R'million	Develop-ment costs R'million	Product participation and other contractual rights R'million	Drug master files R'million	Computer software R'million	Total R'million
Carrying value						
Cost	7 456,8	376,3	2 476,5	67,1	148,3	**10 525,0**
Accumulated amortisation	(1 042,1)	(42,8)	(159,4)	(49,5)	(70,8)	**(1 364,6)**
Accumulated impairment losses	(230,4)	(10,4)	(0,6)	(1,9)	(0,4)	**(243,7)**
Carrying value at the end of the year	6 184,3	323,1	2 316,5	15,7	77,1	**8 916,7**
Movement in intangible assets						
Carrying value at the beginning of the year	5 966,4	203,4	2 377,7	21,0	41,4	**8 609,9**
Acquisition of subsidiaries and businesses	1 056,0	27,9	–	–	–	**1 083,9**
Additions – expansion	49,8	31,1	–	–	20,0	**100,9**
Additions – replacement	–	–	–	–	0,2	**0,2**
Development costs capitalised	–	87,6	–	–	–	**87,6**
Disposals	(179,0)	–	–	–	–	**(179,0)**
Amortisation	(82,1)	(14,8)	(26,0)	(5,3)	(16,2)	**(144,4)**
Reclassification between categories	(0,2)	0,2	–	–	–	**–**
Reclassification from property, plant and equipment	–	–	–	–	31,5	**31,5**
Impairment	(81,0)	(13,8)	(2,5)	–	–	**(97,3)**
Translation of foreign operations	(516,2)	1,5	(32,7)	–	0,2	**(547,2)**
Reclassification to assets held-for-sale	(29,4)	–	–	–	–	**(29,4)**
Carrying value at the end of the year	6 184,3	323,1	2 316,5	15,7	77,1	**8 916,7**

3. INTANGIBLE ASSETS continued

2010	Intellectual property R'million	Development costs R'million	Product participation and other contractual rights R'million	Drug master files R'million	Computer software R'million	Total R'million
Carrying value						
Cost	7 199,8	234,0	2 591,8	67,0	98,1	10 190,7
Accumulated amortisation	(992,6)	(29,6)	(214,1)	(44,2)	(56,2)	(1 336,7)
Accumulated impairment losses	(240,8)	(1,0)	–	(1,8)	(0,5)	(244,1)
Carrying value at the end of the year	5 966,4	203,4	2 377,7	21,0	41,4	8 609,9
Movement in intangible assets						
Carrying value at the beginning of the year	3 563,4	139,7	353,3	26,3	20,9	4 103,6
Additions – expansion	517,5	5,8	1,2	–	16,0	540,5
Additions – replacement	–	–	–	–	1,0	1,0
Development costs capitalised	–	119,0	–	–	–	119,0
Additions – GSK transactions	2 002,8	–	2 052,1	–	–	4 054,9
Disposals	(0,1)	–	–	–	–	(0,1)
Amortisation	(52,7)	(9,0)	(24,3)	(5,3)	(10,6)	(101,9)
Reclassification between categories	(8,7)	8,7	–	–	–	–
Reclassification from property, plant and equipment	–	–	–	–	15,6	15,6
Impairment	(75,7)	(9,3)	–	–	(0,5)	(85,5)
Translation of foreign operations	19,9	0,3	(4,6)	–	(1,0)	14,6
Reclassification to assets held-for-sale	–	(51,8)	–	–	–	(51,8)
Carrying value at the end of the year	5 966,4	203,4	2 377,7	21,0	41,4	8 609,9
2009						
Carrying value						
Cost	4 670,1	160,0	542,6	67,0	67,7	5 507,4
Accumulated amortisation	(940,9)	(20,3)	(189,3)	(38,9)	(46,8)	(1 236,2)
Accumulated impairment losses	(165,8)	–	–	(1,8)	–	(167,6)
Carrying value at the end of the year	3 563,4	139,7	353,3	26,3	20,9	4 103,6

All intangible assets were acquired from third parties, except for development costs that are both internally generated and outsourced to third party development companies.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Non-current assets continued

3. INTANGIBLE ASSETS continued

	2011 R'million	2010 R'million
Indefinite useful life intangible assets		
An indefinite useful life intangible asset is an intangible asset where there is no foreseeable limit to the period over which the asset is expected to generate inflows for the Group.		
Carrying value of indefinite useful life intangible assets (included in intellectual property)	**4 699,8**	5 333,5
Indefinite useful life intangible assets as a percentage of total intangible assets	**53%**	62%

Intellectual property which is classified as an indefinite useful life intangible asset will reflect a historical actual trend and a projected future trend of continuing positive contribution in the market in which it is sold or applied, where such asset forms part of the historical intangible asset base. Where such intangible assets constitute a new acquisition, a projected trend of continuing positive contribution must be demonstrated with reference to factors such as:

- high barriers to market entry for competitors;
- a low probability for accelerated growth in the competitor base in the foreseeable future;
- management's commitment to continue to invest in the intangible assets' base;
- low probability of a significant change in the operating and regulatory environment which would negatively impact future supply of the intangible asset; and
- its estimated indefinite lifecycle and hence future growth prospects for the intangible assets.

A number of brands have been classified as indefinite useful life intangible assets, with the most material being the global brands. These brands had a carrying value of R3 970,1 million at the end of June 2011 (2010: R4 609,0 million).

Refer to note 39 for detail on impairment testing of indefinite useful life intangible assets.

3. INTANGIBLE ASSETS continued

	2011 R'million	2010 R'million
Impairment of intangible assets (included in other operating expenses)		
The impairment of intangible assets can be split as follows		
South Africa	22,4	19,8
Sub-Saharan Africa	–	0,5
International	74,9	65,2
	97,3	85,5

The carrying value of intangible assets impaired has been determined based on value-in-use calculations.

South Africa
Re-scheduling and risk review of older generation products in the South African pharmaceutical portfolio were the main contributors. Discount rates used for the determination of the value-in-use were in the range of 16,4% to 24,4% (2010: 17,0% to 25,0%).

International
Impairments related mainly to Brazil. Certain consumer brands acquired in Brazil continue to perform poorly due to strong competitor activity and have been fully written off. In addition, with the move in Brazil towards the private, branded market, focus is moving away from certain generic pharmaceutical products with a resultant impairment. Finally a product acquired in Brazil is not performing to expectations and has been impaired accordingly. The discount rate used to determine the value-in-use was 22,7% (2010: 13,4%).

	2011 R'million	2010 R'million
Product participation and other contractual rights		
Product participation and other contractual rights can be split into the following categories for the purposes of amortisation		
– Amortised on a straight-line basis		
Carrying value	2 310,7	2 362,8
Amortisation	21,3	16,5
– Amortised using the reverse sum of the digits method		
Carrying value	5,8	14,9
Amortisation	4,7	7,8
Capital commitments		
Capital commitments, excluding potential capitalised borrowing costs, include all projects for which specific Board approval has been obtained up to the reporting date. Projects still under investigation for which specific Board approval has not yet been obtained are excluded from the following		
Authorised and contracted for	49,0	20,9
Authorised but not yet contracted for	58,1	33,6

Funding

Capital expenditure will be financed from funds generated out of normal business operations, existing borrowing facilities and specific project financing.

Other disclosures

Specified trademarks included in the intellectual property of Aspen Global have been pledged as security for borrowing. Refer to note 18 for detail.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Non-current assets continued

		2011 R'million	2010 R'million
4.	**INVESTMENT IN ASSOCIATE**		
	Balance at the beginning of the year	**2,0**	22,5
	Share of after-tax net losses of associate	**–**	(1,7)
	Reclassification to assets held-for-sale	**–**	(18,8)
	Reclassification of investment in Formule Naturelle (Pty) Ltd to investment in subsidiaries	**(2,0)**	–
		–	2,0
	Key financial information of associate*		
	Total assets	**–**	9,4
	Total liabilities	**–**	0,4
	Total revenues	**–**	29,3
	After-tax net losses	**–**	(1,7)

**The financial information provided represented the Group's share of results of the associate.*

At 30 June 2011, details of the Group's associate was as follows

Name	Country of incorporation	Nature of business	Percentage interest	Carrying value 2011 R'million	Carrying value 2010 R'million
Formule Naturelle (Pty) Ltd	South Africa	Procures and supplies complementary medicines, as well as traditional African medicines and oils to the South African market	–#	**–**	2,0

#Percentage interest in 2010 was 20%.

The associate had no significant contingencies or commitments in the prior year.

The investment in associate was not publicly traded.

There were no significant restrictions on the ability of the associate to transfer funds to Aspen in the form of cash dividends.

	2011 R'million	2010 R'million
5. OTHER NON-CURRENT FINANCIAL RECEIVABLES		
Bank bonds	–	29,8
Avid Brands SA (Pty) Ltd	11,0	4,7
Amka Products (Pty) Ltd	12,2	–
Current portion included in trade and other receivables	(11,4)	(2,1)
	11,8	32,4

Bank bonds

This represented investments by Aspen Brazil in Brazilian bonds which were used to secure non-current borrowings in the prior year.

The remaining amount of R3,9 million in the current year was reclassified to cash restricted for use.

These bonds bore interest at the Brazilian prime rate plus a margin of 0,5% in 2010. The average effective rate for 2010 was 8,75%.

Avid Brands SA (Pty) Ltd

An agreement was entered into with Avid Brands SA (Pty) Ltd, in terms of which the Group disposed of certain intellectual property and inventories. Additional intellectual property was disposed of during the 2011 year. The repayment profile is set out below

	2011 R'million	2010 R'million
Year ended 30 June 2011	–	2,1
Year ending 30 June 2012	6,4	2,6
Year ending 30 June 2013	4,6	–
	11,0	4,7

The outstanding loan on the disposal of the intellectual property bears interest at the South African prime rate minus 1%. No interest is charged on the outstanding balance in respect of inventories.

The additional intellectual property disposed of in the current year was pledged as security by Avid Brands SA (Pty) Ltd to secure their indebtedness.

Amka Products (Pty) Ltd

An agreement was entered into with Amka Products (Pty) Ltd, in terms of which the Group disposed of certain intellectual property. The repayment profile is set out below

	2011 R'million	2010 R'million
Year ending 30 June 2012	5,0	–
Year ending 30 June 2013	5,0	–
Year ending 30 June 2014	2,2	–
	12,2	–

The outstanding loan on the disposal of the intellectual property bears interest at the South African prime rate minus 1%.

Amka Products (Pty) Ltd agreed to pledge the purchased intellectual property to secure their indebtedness. The Group holds no other collateral over the other non-current financial receivables.

Other disclosures

Management considers the credit risk associated with these financial receivables to be low, as there has been no default on repayments.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Non-current assets continued

	2011 R'million	2010 R'million
6. DEFERRED TAX		
Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28%.		
Deferred tax balance		
Deferred tax liabilities – opening balance	**263,2**	203,0
Deferred tax assets – opening balance	**(65,5)**	(17,8)
Net deferred tax liabilities – opening balance	**197,7**	185,2
Statement of comprehensive income charge – prior year adjustment	**(6,4)**	24,6
Statement of comprehensive income charge – included in tax	**42,3**	18,3
Statement of comprehensive income charge – included in other comprehensive income	**(47,8)**	–
Charged to equity	**15,7**	(24,1)
Translation of foreign operations	**0,1**	3,7
Acquisition of subsidiaries and businesses	**86,8**	(7,4)
Disposal of joint ventures	**–**	(2,6)
Balance at the end of the year	**288,4**	197,7
Balance split as follows		
Deferred tax liabilities	**504,9**	263,2
Deferred tax assets	**(216,5)**	(65,5)
Balance at the end of the year	**288,4**	197,7
The statement of comprehensive income charge comprises		
Property, plant and equipment	**117,5**	80,6
Intangible assets	**2,1**	0,9
Inventories	**(20,1)**	(32,2)
Trade and other receivables	**(73,0)**	5,4
Retirement benefit obligations	**(1,0)**	(1,7)
Leave pay	**(0,2)**	(2,4)
Preference shares issued	**1,5**	1,6
Tax claims in respect of share schemes	**3,4**	(0,5)
Tax losses	**11,7**	(8,7)
Other	**(6,0)**	(0,1)
	35,9	42,9

		2011 R'million	2010 R'million
6.	**DEFERRED TAX continued**		
	Deferred tax balance comprises		
	Property, plant and equipment	**416,7**	225,3
	Intangible assets	**122,7**	114,8
	Inventories	**(46,6)**	(26,4)
	Trade and other receivables	**7,4**	81,9
	Retirement benefit obligations	**(4,4)**	(4,3)
	Leave pay	**(12,9)**	(12,5)
	Royalties received in advance	**(22,3)**	(22,3)
	Preference shares issued	**(1,3)**	(2,7)
	Tax claims in respect of share schemes	**(74,9)**	(98,1)
	Tax losses	**(88,3)**	(49,7)
	Other	**(7,7)**	(8,3)
	Balance at the end of the year	**288,4**	197,7

No significant unrecognised tax losses or secondary tax on companies credits exist at year-end.

Tax jurisdiction – deferred tax liabilities

Tax jurisdiction – deferred tax assets

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Current assets

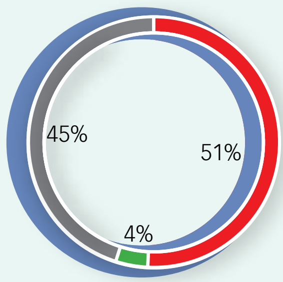
	Notes	2011 R'million	2010 R'million
Inventories	7	**2 628,1**	2 041,4
Trade and other receivables	8	**3 105,5**	2 302,2
Current tax assets		**158,3**	57,2
Derivative financial instruments	9	**–**	0,1
Cash and cash equivalents	10	**3 039,2**	2 939,8
Cash restricted for use	11	**28,7**	21,8
Total operating current assets		**8 959,8**	7 362,5
Assets classified as held-for-sale	12	**414,5**	260,1
		9 374,3	7 622,6

7. INVENTORIES

	2011 R'million	2010 R'million
Carrying values		
Raw materials	**793,6**	550,1
Work-in-progress	**199,2**	218,2
Finished goods	**1 559,1**	1 243,6
Consumables	**76,2**	29,5
	2 628,1	2 041,4
Key ratios relating to inventories		
Inventories as a percentage of revenue from continuing operations	**21%**	21%
Inventories as a percentage of cost of sales from continuing operations	**39%**	40%

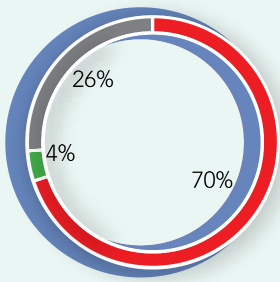
Inventories (carrying value)

2011



South Africa
Sub-Saharan Africa
International

2010



	2011 R'million	2010 R'million
7. INVENTORIES continued		
Impairment of inventories (included in cost of sales)		
The impairment charge to the statement of comprehensive income can be split as follows		
Write-down of inventories recognised as an expense	**91,4**	155,5
Movement in the provision for impairment	**139,2**	7,6
	230,6	163,1
The write-down can be split as follows		
South Africa	**74,7**	125,0
Sub-Saharan Africa	**10,6**	15,9
International	**6,1**	14,6
	91,4	155,5
The write-down relates mainly to expired inventories in the pharmaceutical segment. Due to the finite shelf life of pharmaceutical products they are more susceptible to impairment.		
Reconciliation of provision for impairment		
Balance at the beginning of the year	**141,6**	134,4
Raised during the year	**310,4**	220,8
Released during the year	**(171,2)**	(213,2)
Reclassification to assets held-for-sale	**(5,4)**	–
Translation of foreign operations	**(9,5)**	(0,4)
Hyperinflationery adjustment – Venezuela	**(0,1)**	–
Balance at the end of the year	**265,8**	141,6

Management is required to use significant judgement in estimating the provision for impairment of inventories. Refer to page 167 for detail.

Other disclosures

No inventories were carried at net realisable value at year-end.

No inventories were encumbered during the year.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

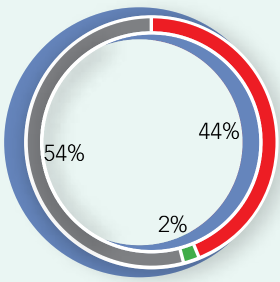
Current assets continued

		2011 R'million	2010 R'million
8.	**TRADE AND OTHER RECEIVABLES**		
	Financial instruments		
	Trade receivables	**2 622,8**	1 924,1
	Allowance account for losses	**(68,3)**	(44,7)
	Net trade receivables	**2 554,5**	1 879,4
	Current portion of other non-current financial receivables	**11,4**	2,1
	Interest accrued	**6,6**	10,6
	Other	**314,3**	247,4
	Total financial instruments*	**2 886,8**	2 139,5
	Non-financial instruments		
	Indirect taxes	**96,4**	51,0
	Prepayments	**81,6**	75,7
	Other	**40,7**	36,0
	Total non-financial instruments	**218,7**	162,7
	Total trade and other receivables	**3 105,5**	2 302,2

This amount is classified as 'loans and receivables' in terms of IAS 39 Financial Instruments: Recognition and Measurement.

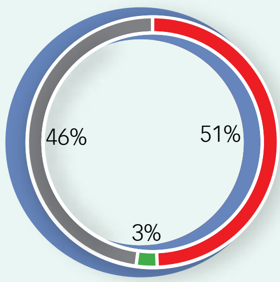
Net trade receivables

2011



South Africa
Sub-Saharan Africa
International

2010



8. TRADE AND OTHER RECEIVABLES continued

Age analysis of trade and other receivables (financial instruments only)

	2011 Gross R'million	2011 Allowance account for losses R'million	2010 Gross R'million	2010 Allowance account for losses R'million
Fully performing	**2 270,9**	**–**	1 722,5	–
Past due by 1 to 60 days	**369,7**	**(4,4)**	320,9	(3,6)
Past due by 61 to 90 days	**123,1**	**(5,8)**	59,5	(3,3)
Past due by 91 to 120 days	**48,2**	**(4,2)**	10,9	(0,5)
Past due by more than 120 days	**143,2**	**(53,9)**	70,4	(37,3)
	2 955,1	**(68,3)**	2 184,2	(44,7)

The trade and other receivables which are fully performing relate to customers that have a good track record with the Group in terms of recoverability.

The total amount of trade and other receivables are exposed to credit risk, except for certain fully performing and past due balances which were covered by credit guarantee insurance to the value of R731,7 million (2010: R514,7 million).

Amounts past their due dates, not provided for, are considered by the Group to be recoverable.

The only significant concentration of credit risk relates to an amount of R314,5 million (2010: R331,1 million) owing by the South African government. This balance constitutes 12,0% (2010: 17,2%) of the total gross trade receivables.

There is no other single customer that represents more than 10% of total gross trade receivables for the years ended 30 June 2011 and 2010.

	2011 R'million	2010 R'million
Impairment of trade and other receivables (included in administrative expenses)		
The impairment charge to the statement of comprehensive income can be split as follows		
Bad debts written off	**10,7**	3,5
Movement in the allowance account for losses	**12,1**	12,6
	22,8	16,1
Reconciliation of allowance account for losses		
Balance at the beginning of the year	**44,7**	34,3
Raised during the year	**25,1**	34,7
Utilised during the year	**(13,0)**	(22,1)
Acquisition of subsidiary	**11,7**	–
Translation of foreign operations	**(0,2)**	(2,2)
Balance at the end of the year	**68,3**	44,7

Receivables are reviewed for impairment on an individual basis and significant judgement is applied by management in determining whether a trade receivable is impaired or not. A number of factors are taken into account when this assessment is made. Refer to page 167 for detail.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Current assets continued

		2011 R'million	2010 R'million
8.	**TRADE AND OTHER RECEIVABLES continued**		
	Trade receivables given as security for liabilities		
	Trade receivables in Aspen Brazil were pledged as security to the extent of the liability for a working capital facility with various banks in Brazil to the value of R108,1 million (2010: R252,4 million). Refer to note 18 for detail.		
	Trade receivables in Aspen Global, to the extent of the total value of receivables which amounted to R420,4 million (2010: R627,1 million), were pledged as security for the US Dollar term loan and bridging loan. Refer to note 18 for detail.		
	Securities were given under normal commercial terms and conditions.		
	Currency analysis of trade and other receivables (financial instruments only)		
	Australian Dollar	**722,9**	150,0
	Pound Sterling	**204,8**	293,5
	US Dollar	**345,6**	481,4
	Euro	**231,2**	412,9
	Brazilian Real	**269,1**	20,6
	Venezuelan Bolivares Fuertes	**21,8**	16,5
	Rand	**939,4**	637,9
	Other currencies	**152,0**	126,7
		2 886,8	2 139,5
	Other disclosures		
	The Group holds no collateral over any trade and other receivables.		
	Trade and other receivables are predominantly non-interest bearing.		
9.	**DERIVATIVE FINANCIAL INSTRUMENTS**		
	Assets		
	Balance at the beginning of the year	**0,1**	–
	Fair value (losses)/gains recognised in the statement of comprehensive income	**(0,1)**	0,1
	Balance at the end of the year	**–**	0,1

This balance consisted of derivatives where hedge accounting was not applied. The entire balance was attributable to forward exchange contracts.

The forward exchange contracts were classified as "level 2" assets in the fair value measurement hierarchy.

	2011 R'million	2010 R'million
10. CASH AND CASH EQUIVALENTS		
Bank balances	**1 971,3**	1 485,3
Short-term bank deposits	**1 048,0**	1 426,3
Cash-in-transit*	**14,5**	15,1
Cash-on-hand	**5,4**	13,1
	3 039,2	2 939,8

**Comprises receipts from customers only banked after year-end.*

General disclosures

The maturity profile of all cash and cash equivalent balances is less than three months.

The average effective interest rate on short-term bank deposits is 4,6% (2010: 3,3%).

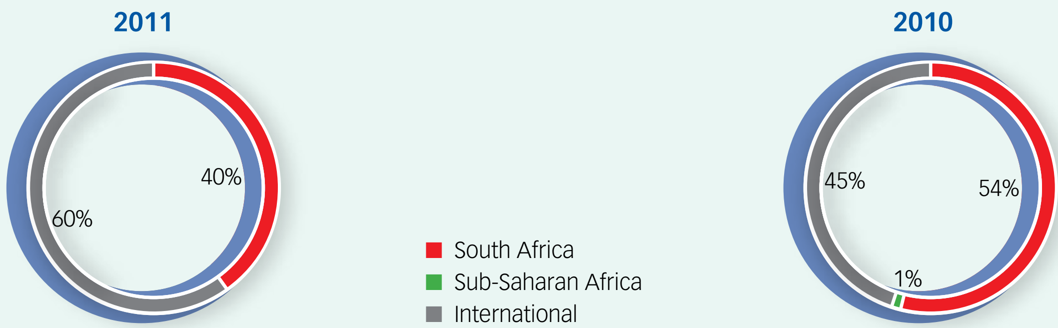
The total amount of cash and cash equivalents is exposed to credit risk, and is placed with high quality financial institutions.

Total cash and cash equivalents is classified as 'Loans and receivables' in terms of IAS 39 *Financial Instruments: Recognition and Measurement.*

Currency analysis of cash and cash equivalents

	2011 R'million	2010 R'million
Australian Dollar	**1 205,4**	161,3
US Dollar	**437,6**	1 019,7
Euro	**74,2**	83,0
Pound Sterling	**96,0**	16,9
Brazilian Real	**4,1**	21,9
Rand	**1 208,5**	1 605,9
Other currencies	**13,4**	31,1
	3 039,2	2 939,8

Cash and cash equivalents



Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Current assets continued

		2011 R'million	2010 R'million
11.	**CASH RESTRICTED FOR USE**		
	Cash held by Brazilian banks as security for borrowings	**24,8**	21,8
	Bank bonds	**3,9**	–
		28,7	21,8

Cash held by Brazilian banks as security for borrowings

Aspen Brazil raises loans from financial institutions for the funding of working capital using its receivables as security. As the funding is in the form of fixed-term facilities, it is often the case that the receivables being used as security are received from the customers prior to the facility being repaid. In this instance, in order to maintain the quality of its security, the financial institution requires that such cash receipts are invested with it in an instrument that expires concurrently with the repayment of the facility.

This amount can be withdrawn at any time if necessary, but an equivalent amount of receivables needs to be given up as security.

This balance is deposited in a non-interest bearing account and is denominated in Brazilian Real.

Bank bonds

This represents investments by Aspen Brazil in Brazilian bonds. The Group has access to the funds invested at any time subject to providing alternative security. The amount is denominated in Brazilian Real.

These bonds bear interest at the Brazilian prime rate plus a margin of 6,8%. The average effective rate for the year is 11,1%.

As the above amounts are maintained by financial institutions of a high quality, management considers the credit risk associated with these balances to be low.

		2011 R'million	2010 R'million
12.	**NET ASSETS CLASSIFIED AS HELD-FOR-SALE**		
	Campos facility and related products	**348,5**	–
	Personal care products	**35,1**	–
	Onco Laboratories Ltd	**–**	239,7
	Co-pharma Ltd	**–**	18,8
	Decommissioned Beta manufacturing facility	**–**	1,6
		383,6	260,1
	Reconciliation of net assets classified as held-for-sale		
	Balance at the beginning of the year	**260,1**	–
	Reclassification from categories	**361,8**	260,1
	Property, plant and equipment	**327,4**	1,6
	Goodwill	**–**	0,2
	Intangible assets	**29,4**	51,8
	Current assets	**34,5**	194,2
	Investment in associate	**–**	18,8
	Trade and other payables	**(2,9)**	(1,5)
	Current tax liabilities	**–**	(5,0)
	Borrowings	**(26,6)**	–
	Disposals	**(260,1)**	–
	Translation of foreign operations	**21,7**	–
	Balance at the end of the year	**383,6**	260,1

	2011 R'million	2010 R'million
12. NET ASSETS CLASSIFIED AS HELD-FOR-SALE continued		
Details of net assets transferred to held-for-sale		
Assets		
Property, plant and equipment	**343,2**	1,6
Intangible assets	**29,4**	52,0
Investment in associate	**–**	18,8
Inventories	**41,9**	–
Trade and other receivables	**–**	194,2
Total assets	**414,5**	266,6
Liabilities		
Trade and other payables	**3,0**	1,5
Borrowings	**27,9**	–
Current tax liabilities	**–**	5,0
Total liabilities	**30,9**	6,5
Net assets	**383,6**	260,1

Campos facility and related products

An agreement was reached for the sale of the Campos facility and related products in Brazil to Strides Arcolab Ltd, as the specialised manufacture of penicillins and penems, primarily for the public sector and contract manufacturing business, is not considered to be core to the product offering of the Brazilian company. The net assets of the Campos facility were reclassified as held-for-sale as conditions precedent relating to the sale remain to be fulfilled, completion being expected during the year ahead.

The assets and liabilities were transferred to held-for-sale on 1 October 2010 at the exchange rates prevailing on that day. The values shown in the above note have been restated to the year-end exchange rate. These assets are included within the International segment.

Personal care products

The sale of the South African toothpaste business to the Unilever group was concluded in September 2011. The business has been reclassified as a discontinued operation in compliance with IFRS 5. These assets are included within the South African segment.

Onco Laboratories Ltd

Onco Laboratories Ltd was classified as held-for-sale in June 2010 as the conditions precedent relating to the sale had not been fulfilled on 30 June 2010. These conditions were met in February 2011 and this transaction is now complete. These assets were included within the International segment.

Co-pharma Ltd

In terms of the shareholders' agreement governing the management of Co-pharma Ltd, between 1 June 2009 and 1 December 2010, Aspen had a put option for its 49% holding in the share capital of that company. The option's exercise price was a multiple of Co-pharma Ltd's earnings before interest, tax, depreciation and amortisation, adjusted for debt, as shown in the last audited Annual Financial Statements prior to the exercise of the option, but with a minimum price of GBP2,3 million and a maximum price of GBP8,0 million. Aspen has exercised its put option and disposed of its 49% investment in Co-pharma Ltd for a consideration of GBP2,3 million with effect from 1 July 2010.

Decommissioned Beta manufacturing facility

Beta moved to a newly constructed GMP-compliant facility in Nairobi in November 2010. The effective date of the sale of the old facility was in November 2010. The total balance related to property, plant and equipment and can be split as follows

	2011 R'million	2010 R'million
Land	**–**	0,2
Buildings	**–**	1,4
	–	1,6

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Shareholders' equity

	Notes	2011 R'million	2010 R'million
Share capital and share premium	13	**4 809,6**	5 102,5
Treasury shares	14	**(33,4)**	(13,5)
Non-distributable reserves		**(108,1)**	(182,3)
Share-based compensation reserve	15	**32,5**	42,7
Retained income		**8 363,6**	5 719,6
Preference shares – equity component	16	**162,0**	162,0
Non-controlling interests	17	**61,1**	55,2
		13 287,3	10 886,2

13. SHARE CAPITAL AND SHARE PREMIUM

	2011 R'million	2010 R'million
Authorised		
700 000 000 (2010: 700 000 000) ordinary shares with a par value of 13,90607 cents each	**97,3**	97,3
Issued		
433 882 918 (2010: 431 610 738) ordinary shares with a par value of 13,90607 cents each	**60,3**	60,0
Share premium	**4 749,3**	5 042,5
	4 809,6	5 102,5

	2011 Million	2010 Million
Shares in issue at the beginning of the year	**431,6**	361,3
Shares issued – Share schemes	**2,3**	2,5
Shares issued – Workers plan*	**–**	–
Shares issued – GSK transactions	**–**	68,5
Treasury shares cancelled	**–**	(0,7)
Shares in issue at the end of the year	**433,9**	431,6

The unissued shares have been placed under the control of the directors until the forthcoming annual general meeting.

All shares are fully paid up, and no amounts are outstanding in terms of shares issued during the year.

**In the current year no shares were issued (2010: 15 782 shares).*

	2011 R'million	2010 R'million
14. TREASURY SHARES		
Balance at the beginning of the year	**(13,5)**	–
Treasury shares purchased	**(20,1)**	(13,5)
Deferred incentive bonus shares exercised	**0,2**	–
Balance at the end of the year	**(33,4)**	(13,5)

	2011 Million	2010 Million
Number of treasury shares at the beginning of the year	**0,2**	0,7
Treasury shares purchased	**0,2**	0,2
Treasury shares cancelled	**–**	(0,7)
Number of treasury shares at the end of the year	**0,4**	0,2

	2011 R'million	2010 R'million
15. SHARE-BASED COMPENSATION RESERVE		
During the year the following share-based payment expenses were recognised in the statement of comprehensive income regarding share-based arrangements that existed		
Equity settled – recognised directly in equity		
South African Management Deferred Incentive Bonus Scheme	**12,2**	3,3
Aspen Share Incentive Scheme and Aspen Share Appreciation Plan	**14,1**	22,1
Aspen South African Workers' Share Plan	**–**	0,9
Cash settled – recognised in trade and other payables		
South African Management Deferred Incentive Bonus Scheme	**3,5**	3,5
Aspen International Phantom Share Scheme	**0,8**	–
	30,6	29,8

The movements in the share-based compensation reserve are presented in the statement of changes in equity on page 142.

The Group currently operates the following share-based payment schemes:

Aspen Share Incentive Scheme

Share options were granted to management and key employees in terms of this scheme. The scheme was adopted by shareholders in January 1999. An amendment to the trust deed was approved by shareholders on 18 January 2000, in terms of which share options offered and taken up were released in five equal annual tranches, commencing on the second anniversary of an offer date and expiring after eight years. The scheme is equity settled. The last tranche in terms of this scheme was awarded in September 2007.

In October 2009, the South African Management Deferred Incentive Bonus Scheme was adopted and now operates under the terms and conditions of this scheme.

Aspen Share Appreciation Plan

Share appreciation rights are granted to management and key employees in terms of this scheme. The Aspen Share Appreciation Plan was adopted in October 2005. The maximum period of rights awarded in terms of this plan is five years and vesting takes place three years from the allocation date. Share appreciation rights are no longer awarded, other than to three offshore employees who continue on the scheme under legacy arrangements. The scheme is equity settled. Refer to note 15.2 for detail of rights issued in terms of this scheme.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Shareholders' equity continued

15. SHARE-BASED COMPENSATION RESERVE continued

Aspen South African Management Deferred Incentive Bonus Scheme

In October 2009, the Aspen Board, acting through its Remuneration & Nomination Committee, proposed that the remuneration structure of management and key employees be amended. As part of this change in the remuneration structure the award of share appreciation rights under the Aspen Share Appreciation Plan was discontinued (except for three offshore employees) and replaced by the South African Management Deferred Incentive Bonus Scheme. The deferred incentive bonus is payable in cash or shares, at the election of the employee. There is a three-year vesting period. The employee to whom the award is made must remain in the employ of Aspen at the time of vesting. The deferred incentive bonus amount is calculated based on the performance of the Aspen Group company which employs the relevant employee and individual performance targets. Refer to note 15.3 for detail of shares issued in terms of this scheme.

Election of cash

Should an employee elect to receive cash at the time of the award, the cash amount will be payable to the employee three years after the date of the award, provided that the employee is still employed by Aspen at that date. Notional interest at Aspen's overnight call rate will be added to the deferred incentive bonus amount at the end of the three-year period.

Election of shares

Should an employee elect to receive shares at the time of the award, the deferred incentive bonus amount granted is increased by 10%. These shares will be issued in terms of the Aspen Share Incentive Scheme and held by the Aspen Share Incentive Trust until the three-year vesting period has expired. Employees will, on vesting date, receive any dividends/capital distributions that were paid to the Trust during the vesting period.

Accounting treatment

The Group has entered into a share-based payment agreement whereby the employee has the right to choose either settlement in cash or settlement in equity. The entity has thus granted a compound financial instrument, which includes a debt and an equity component.

On measurement date management measured the fair value of the debt component first. Thereafter, the fair value of the equity instrument was measured, taking into consideration the fact that the employee forfeits the right to receive cash in order to obtain the shares.

The services received from the employees in respect of each component (debt and equity) shall be accounted for separately at each reporting date. The debt component will be accounted for as a cash-settled share-based payment arrangement. The debt component shall therefore be measured at fair value at each reporting date, with changes in fair value recognised in the statement of comprehensive income for the period.

The equity component will be accounted for as an equity-settled share-based payment arrangement. The fair value of the services shall be measured at the fair value of the equity instruments on grant date. The services shall then be recognised over the vesting period, with a corresponding increase in equity. Shares lapsed or cancelled will be held in the Trust for future grants.

Aspen International Phantom Share Scheme

In order to incentivise the management of Aspen's International businesses in the medium term, a phantom share scheme exists for selected international employees. Awards are linked to the performance of the employee, the businesses and growth in the Aspen share price. Due to regulatory restrictions in respect of transfer and ownership of Aspen shares to offshore employees, the scheme is operated on a phantom basis, which is designed to give an employee the same economic benefit as ownership of shares. The phantom shares entitle eligible employees to receive a cash bonus based initially on a predetermined value and thereafter on changes in the Aspen share price. This scheme is cash-settled.

Aspen South African Workers' Share Plan

The Aspen South African Workers' Share Plan was adopted in October 2005. In terms of the plan all permanent employees not covered by one of the other share schemes, who had a minimum of one year's continuous service with the Company, qualified for Aspen shares to a value of R9 000, awarded over a three-year period. The last tranche in terms of this plan was issued in July 2009. This scheme is equity-settled.

General

The total number of shares that could be issued to employees in terms of all the above schemes is 64,7 million shares which equates to approximately 15% of the Company's issued share capital. To date the number of shares awarded in terms of these schemes is 32,6 million shares, representing 8% of the Company's issued share capital.

Should an employee resign from the Group prior to the vesting date as indicated above, the shares or cash will not be issued and will be forfeited.

Should an employee be retrenched or retire, all shares or cash will become due to the employee.

Should an employee become deceased, all the shares or cash will vest in the estate of the deceased.

It is Group policy that all directors and employees should not deal in shares or exercise share options and/or share appreciation rights of the Company for the periods from half year-end and year-end to 24 hours after publication of the half year-end and year-end results or when the Company is trading under a cautionary announcement.

The valuation of the share-based payment expense requires a significant degree of judgement to be applied by management. Refer to page 168 for detail.

15. SHARE-BASED COMPENSATION RESERVE continued

15.1 Aspen Share Incentive Scheme

Grant price (R)	Expiry date	Options out-standing on 30 June 2010 '000	Vested '000	Non-vested '000	Exercised during the year '000	Lapsed/ cancelled during the year '000	**Options out-standing on 30 June 2011 '000**	**Vested '000**	**Non-vested '000**
R6,50	Jan 2011	125	125	–	125	–	**–**	**–**	**–**
R7,77	Jul 2011	6	6	–	5	–	**1**	**1**	**–**
R8,28	Aug 2011	1	1	–	–	–	**1**	**1**	**–**
R9,20	Aug 2011	1 200	1 200	–	–	–	**1 200**	**1 200**	**–**
R9,46	Sept 2011	5	5	–	5	–	**–**	**–**	**–**
R11,11	Feb 2012	2	1	1	2	–	**–**	**–**	**–**
R11,20	Jan 2012	202	202	–	78	–	**124**	**124**	**–**
R11,46	Feb 2012	3	3	–	–	–	**3**	**3**	**–**
R12,07	Mar 2012	1	1	–	1	–	**–**	**–**	**–**
R12,23	May 2012	6	6	–	6	–	**–**	**–**	**–**
R12,30	Jun 2012	200	160	40	–	–	**200**	**200**	**–**
R12,46	Apr 2012	3	3	–	3	–	**–**	**–**	**–**
R12,67	Jul 2012	616	280	336	288	–	**328**	**328**	**–**
R14,86	Sept 2012	6	–	6	6	–	**–**	**–**	**–**
R14,96	Oct 2012	6	–	6	3	–	**3**	**3**	**–**
R15,75	Nov 2012	1	–	1	1	–	**–**	**–**	**–**
R16,93	Sept 2012	1	–	1	1	–	**–**	**–**	**–**
R18,23	Oct 2012	41	20	21	20	–	**21**	**21**	**–**
R20,73	Sept 2012	6	4	2	4	2	**–**	**–**	**–**
R21,49	Mar 2012	13	6	7	6	–	**7**	**7**	**–**
R22,13	May 2012	30	24	6	–	–	**30**	**30**	**–**
R23,92	Jul 2012	193	46	147	49	2	**142**	**69**	**73**
R23,93	Jun 2013	3	1	2	2	–	**1**	**1**	**–**
R24,57	Jun 2013	24	12	12	12	12	**–**	**–**	**–**
R32,89	Sept 2014	328	78	250	49	34	**245**	**112**	**133**
R35,09	Sept 2015	194	27	167	15	37	**142**	**54**	**88**
		3 216	2 211	1 005	681*	87	**2 448**	**2 154**	**294**

**Options exercised during the year resulted in 0,7 million shares (2010: 1,2 million shares) being issued yielding proceeds of R10,0 million (2010: R16,1 million).*

The weighted average share price at which shares were exercised during the year was R87,28 (2010: R67,18).

The following reflects the number of shares that will be issued on the assumption that all share options are exercised on the earliest possible date

	Number of shares '000	Consideration R'million
2012	2 323	32,6
2013	96	3,2
2014	29	1,0
	2 448	36,8

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Shareholders' equity continued

15. SHARE-BASED COMPENSATION RESERVE continued

15.2 Aspen Share Appreciation Plan

Grant price (R)	Expiry date	Rights outstanding on 30 June 2010 '000	Vested '000	Non-vested '000	Granted during the year '000	Exercised during the year '000
R23,92	Jul 2010	431	431	–	–	406
R30,53	Oct 2010	26	26	–	–	26
R31,94	Nov 2012	9	9	–	–	9
R31,96	Nov 2010	4	4	–	–	4
R32,39	Jan 2012	4	4	–	–	4
R32,59	Dec 2010	4	4	–	–	4
R32,82	Sept 2011	1 310	1 310	–	–	780
R33,24	Dec 2010	4	4	–	–	4
R33,41	Jan 2011	1	1	–	–	1
R33,64	Sept 2011	8	–	8	–	8
R34,55	Oct 2012	4	4	–	–	4
R34,75	Feb 2012	7	7	–	–	4
R35,53	Sept 2011	2 414	–	2 414	–	1 171
R35,61	Mar 2012	4	4	–	–	–
R36,03	Jan 2014	69	–	69	–	–
R37,16	Jun 2012	4	4	–	–	4
R37,47	Jul 2012	105	–	105	–	62
R38,15	May 2012	14	14	–	–	11
R41,03	Oct 2013	1 505	–	1 505	–	8
R43,41	May 2011	3	3	–	–	3
R60,28	Sept 2014	135	–	135	33	–
R88,82	Sept 2015	–	–	–	99	–
		6 065	1 829	4 236	132	2 513*

During the year 2,5 million rights (2010: 2,3 million rights) were exercised which resulted in 1,6 million shares (2010: 1,3 million shares) being issued.

The fair value was determined with the use of a binomial model. Volatility was based on historical data, taking into account the expected life of the appreciation rights.

The weighted average share price at which shares were exercised during the year was R90,25 (2010: R67,36).

The vesting profile of the share appreciation rights is as follows

	Number of rights '000
2012	3 317
2013	168
2014	99
	3 584

In terms of the Aspen Share Appreciation Plan, employees are settled the growth on appreciation rights in Aspen shares at date of exercise. The number of shares required to be issued can thus only be determined at date of exercise.

Lapsed/ cancelled during the year '000	Rights outstanding on 30 June 2011 '000	Vested '000	Non-vested '000	Fair value at measurement date (R)	Share price at measurement date (R)	Volatility %	Dividend yield %	Risk-free rate %
25	–	–	–	10,96	30,54	25,43	2,54	7,55
–	–	–	–	8,86	31,70	24,62	2,54	7,55
–	–	–	–	9,82	33,00	27,45	2,30	8,09
–	–	–	–	8,43	32,08	24,66	2,54	7,55
–	–	–	–	10,58	32,10	28,00	1,95	8,94
–	–	–	–	12,46	37,99	24,70	2,34	7,30
–	530	530	–	9,64	33,19	27,44	2,30	8,72
–	–	–	–	12,11	37,99	24,70	2,34	7,30
–	–	–	–	12,88	39,17	24,79	2,34	7,30
–	–	–	–	11,36	34,60	27,43	2,39	9,42
–	–	–	–	10,05	34,94	27,43	2,30	8,63
–	3	3	–	10,59	33,57	28,06	1,95	8,94
–	1 243	1 239	4	11,46	35,99	27,44	2,39	9,42
–	4	4	–	11,40	35,25	28,23	1,95	8,94
–	69	–	69	14,55	39,02	33,84	2,30	7,37
–	–	–	–	12,48	37,76	27,46	1,95	8,94
–	43	43	–	11,31	37,00	27,64	2,39	9,42
–	3	3	–	13,39	39,61	27,73	1,95	8,94
75	1 422	–	1 422	13,78	41,40	31,69	2,32	7,32
–	–	–	–	11,43	38,10	25,50	2,34	7,30
–	168	–	168	20,96	61,86	35,52	2,30	8,08
–	99	–	99	32,17	91,25	35,95	2,13	8,17
100	3 584	1 822	1 762					

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Shareholders' equity continued

15. SHARE-BASED COMPENSATION RESERVE continued

15.3 South African Management Deferred Incentive Bonus Scheme

Grant price (R)	Expiry date	Shares outstanding on 30 June 2010 '000#	Granted during the year '000	Re-allocated during the year '000	Re-leased during the year '000	Lapsed/cancelled during the year* '000	**Shares outstanding on 30 June 2011 '000#**	Fair value at measurement date (R)	Share price at measurement date (R)
R64,70	Oct 2012	195	–	–	2	7	**186**	61,86	64,00
R77,92	Oct 2012	4	–	–	–	–	**4**	61,86	64,00
R86,88	Oct 2013	–	211	7	1	6	**211**	86,88	93,30
		199	211^	7	3	13	**401**		

 # The total number of shares are not vested at 30 June 2011 and 30 June 2010.

**Lapsed or cancelled shares, held by the Aspen Share Incentive Scheme Trust, are reallocated to future grants.*

^During the year the Group bought 210 934 shares (2010: 203 822 shares) that will be held in the Aspen Share Incentive Scheme Trust until vesting date. These shares are accounted for as treasury shares in the Group Annual Financial Statements.

The fair value was determined by reference to the share price on the grant date.

	2011 R'million	2010 R'million
For accounting purposes the deferred incentive bonus has been split into an equity and a liability component. Refer to the accounting policy on page 159 for detail.		
Cumulative share-based payment amount (included in the statement of changes in equity)	**15,4**	3,3
Opening balance	**3,3**	–
For the year	**12,2**	3,3
Bonus provision – liability component (included in other payables in the statement of financial position)	**7,3**	3,6
Opening balance	**3,6**	–
Cash-settled share-based amount for the year	**3,5**	3,5
Notional interest on liability component	**0,2**	0,1
	22,8	6,9

15.4 Aspen International Phantom Share Scheme

Grant price (R)	Expiry date	Granted during the year '000	Shares outstanding on 30 June 2011 '000**
R88,82	Oct 2013	34	34

***The total number of shares are not vested at 30 June 2011.*

The fair value was determined by reference to the share price on the grant date.

The liability included in trade and other payables on the statement of financial position relating to the Aspen International Phantom Share Scheme is R0,8 million.

	2011 R'million	2010 R'million
16. PREFERENCE SHARE CAPITAL		
Authorised		
17 600 000 (2010: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each	**2,4**	2,4
20 000 000 (2010: 20 000 000) non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each	**2,8**	2,8
Issued		
17 600 000 (2010: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each, issued at R21,41 during June 2005	**2,4**	2,4
Share premium	**374,4**	374,4
	376,8	376,8

Rights attached to the A preference shares

Dividend rights

Preference share dividends are calculated at the South African prime overdraft rate of interest as charged by First National Bank, a division of FirstRand Bank Ltd from time-to-time multiplied by one minus the corporate tax rate for the relevant dividend period. Dividends are payable on 10 June of each year.

The preference share dividend rate was 6,5% at year-end (2010: 7,2%).

Voting rights

Each Aspen preference share has one vote and accordingly ranks *pari passu* in regard to votes with the issued Aspen ordinary shares.

Redemption/conversion rights

Preference shareholders have the right to require the redemption or conversion of the Aspen preference shares into Aspen ordinary shares on a one-for-one basis on the seventh anniversary after the issue of the Aspen preference shares, being June 2012. Redemption will take place at R21,41.

The conditions or rights of the preference shares are available for inspection at the Company's registered office.

Accounting

For accounting purposes the preference shares have been split into an equity and a liability component. Refer to the accounting policy on page 157 for detail.

	2011 R'million	2010 R'million
Preference shares – equity component (per statement of changes in equity)	**162,0**	162,0
Deferred tax effect	**(8,7)**	(8,7)
Net equity component	**153,3**	153,3
Preference shares – liability component (per the statement of financial position)	**381,3**	386,6
Amount expensed in 2005	**(183,2)**	(183,2)
Cumulative notional interest on liability component	**25,4**	20,1
Opening balance	**20,1**	14,5
For the year	**5,3**	5,6
	376,8	376,8

The fair value of the liability component of the preference shares is R381,5 million (2010:R386,8 million). The liability component is exposed to fair value interest rate risk.

The effective interest rate of the liability component is 9,0% (2010: 10,0%).

	2011 R'million	2010 R'million
17. NON-CONTROLLING INTERESTS		
Balance at the beginning of the year	**55,2**	75,9
Profit/(loss) for the year	**11,0**	(11,1)
Non-controlling interests portion of foreign currency translation reserve	**(4,3)**	(8,8)
Dividends paid	**(1,7)**	(0,8)
Hyperinflationary adjustment – Venezuela	**0,9**	–
	61,1	55,2

Notes to the Group Annual Financial Statements continued

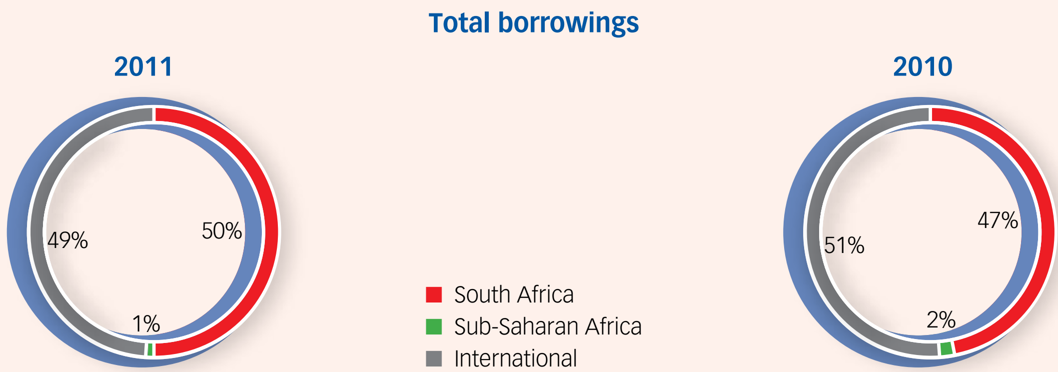
for the year ended 30 June 2011

Non-current liabilities

	Notes	2011 R'million	2010 R'million
Preference shares – liability component	16	**381,3**	386,6
Borrowings	18	**4 249,0**	2 260,2
Deferred revenue	19	**148,2**	159,4
Deferred tax liabilities	6	**504,9**	263,2
Retirement benefit obligations	20	**18,8**	15,4
		5 302,2	3 084,8

18. BORROWINGS

	2011 R'million	2010 R'million
Non-current borrowings		
Secured loans	**693,0**	2006,5
Finance lease and instalment credit liabilities	**6,5**	3,7
Unsecured loans	**3 549,5**	250,0
	4 249,0	2 260,2
Current borrowings		
Secured loans	**1 735,7**	1 082,9
Finance lease and instalment credit liabilities	**4,7**	10,8
Bank overdrafts	**1 286,4**	1 127,1
Unsecured loans	**2 111,2**	1 500,0
	5 138,0	3 720,8
Total borrowings		
Secured loans	**2 428,7**	3 089,4
Finance lease and instalment credit liabilities	**11,2**	14,5
Bank overdrafts	**1 286,4**	1 127,1
Unsecured loans	**5 660,7**	1 750,0
	9 387,0	5 981,0



Definitions: LIBOR – London Inter-Bank Offer Rate
T-Bill – Treasury Bill Rate
BBSY – Bank Bill Swap Yield
JIBAR – Johannesburg Inter-Bank Acceptance Rate

18. BORROWINGS continued

Currency analysis and maturity profile of total borrowings

	2011			2010		
	Within 1 year R'million	Between 1 – 5 years R'million	Total R'million	Within 1 year R'million	Between 1 – 5 years R'million	Total R'million
Secured loans						
US Dollar – term loan	499,9	672,9	1 172,8	756,5	1 959,6	2 716,1
US Dollar – bridging loan	1 016,4	–	1 016,4	–	–	–
US Dollar – capital raising fees	(8,6)	(9,9)	(18,5)	(9,2)	(20,8)	(30,0)
US Dollar – other	10,5	–	10,5	131,6	–	131,6
Brazilian Real	217,5	16,2	233,7	203,3	49,0	252,3
Euro	–	–	–	0,7	–	0,7
Kenyan Shilling	–	13,8	13,8	–	18,7	18,7
	1 735,7	693,0	2 428,7	1 082,9	2 006,5	3 089,4
Finance lease and instalment credit liabilities						
US Dollar	–	–	–	1,4	–	1,4
Brazilian Real	0,2	2,6	2,8	5,1	0,2	5,3
Rand	4,5	3,9	8,4	4,3	3,5	7,8
	4,7	6,5	11,2	10,8	3,7	14,5
Bank overdrafts						
US Dollar	34,3	–	34,3	40,9	–	40,9
Kenyan Shilling	4,0	–	4,0	5,0	–	5,0
Tanzanian Shilling	1,5	–	1,5	–	–	–
Rand	1 246,6	–	1 246,6	1 081,2	–	1 081,2
	1 286,4	–	1 286,4	1 127,1	–	1 127,1
Unsecured loans						
US Dollar	38,4	–	38,4	50,1	–	50,1
Australian Dollar	–	2 178,6	2 178,6	–	–	–
Australian Dollar – capital raising fees	–	(9,7)	(9,7)	–	–	–
Kenyan Shilling	7,3	–	7,3	3,6	–	3,6
Rand – capital raising fees	(2,6)	–	(2,6)	–	–	–
Rand	2 068,1	1 380,6	3 448,7	1 446,3	250,0	1 696,3
	2 111,2	3 549,5	5 660,7	1 500,0	250,0	1 750,0

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Non-current liabilities continued

18. BORROWINGS continued

Currency analysis and maturity profile of total borrowings continued

US Dollar term loan

The US Dollar term loan comprises

1) An A loan which is a five-year amortising loan of USD255,0 million in respect of which quarterly equal repayments of capital and interest are to be made. Two capital payments were made during the 2011 financial year amounting to USD61,7 million (2010: USD30,3 million).

Quarterly interest payments on the outstanding balance have been made from 10 January 2009. The loan bears interest at a rate of 3-month LIBOR plus a margin of 2,7%.

A swap agreement was entered into on 6 October 2008, in terms of which all future payments of interest have been fixed at an interest rate of 6,1% per annum.

Capital repayments to be made are as follows	**2011 USD'million**	2010 USD'million
Year ended 30 June 2011	**–**	61,7
Year ending 30 June 2012	**63,7**	63,7
Year ending 30 June 2013	**65,7**	65,7
Year ending 30 June 2014	**33,6**	33,6
	163,0	224,7

2) A B loan of USD130,0 million which is repayable at the end of the five-year period, however, cash sweeps of excess cash flows from October 2010 may be called for at the election of the consortium of banks.

Quarterly interest payments on the outstanding balance have been made from 10 January 2009. The loan bears interest at a rate of 3-month LIBOR plus a margin of 2,8%.

Quarterly interest payments in respect of this loan have been hedged to 10 April 2012 by means of entering into a swap agreement on 6 October 2008, at a fixed rate of 6,1% per annum. This swap agreement was settled on 13 July 2010. The net outflow resulting from settlement of this interest rate swap was USD3,9 million.

In the 2011 financial year, a capital amount of USD120,0 million capital was repaid.

Refer to page 228 for detail on the interest rate swaps.

US Dollar bridging loan

The bridging loan from Standard Bank of South Africa Ltd bears interest at a rate of one-month LIBOR plus a margin of 1,3%.

The bridging loan was subsequently refinanced by Aspen Global on 30 September 2011, with a three-year US Dollar term loan from a consortium of banks comprising the offshore operations of Standard Bank of South Africa Ltd, Absa Bank Ltd and Nedbank Ltd. The amount financed was USD150,0 million.

The profile and repayment terms of the above term loan are

1) A facility A loan which is a three-year amortising loan of USD90,0 million, in respect of which quarterly equal repayments of capital are to be made, with the first payment of capital being 30 September 2012.

Quarterly interest payments on the outstanding balance will be made from 31 December 2011. The loan bears interest at a rate of 3-month LIBOR plus a margin of 2,25%*.

Capital repayments to be made are as follows	**2011 USD'million**
Year ending 30 June 2013	45,0
Year ending 30 June 2014	45,0
	90,0

2) A facility B loan of USD60 million which is payable at the end of the three-year period.

Quarterly interest payments on the outstanding balance will be made from 31 December 2011. The loan bears interest at a rate of 3-month LIBOR plus a margin of 2,5%*.

**In terms of the contractual arrangement between the parties, the margin can be adjusted downwards on a quarterly basis based on the leverage ratio of Aspen Global at that date.*

18. BORROWINGS continued

Interest rate profile of total borrowings

	2011 Total R'million	2011 Interest rate %	2011 Average effective interest rate %	2010 Total R'million	2010 Interest rate %	2010 Average effective interest rate %
Secured loans	**2 428,7**			3 089,4		
Fixed rate	19,6	Rates ranging between 2,3% and 17,9%	9,3	98,8	Rates ranging between 6,0% and 15,5%	7,0
Floating rate	2 409,1			2 990,6		
Linked to 1-month LIBOR	1 010,8	+ margin of 1,3%	1,5	–	–	–
Linked to 3-month LIBOR	1 160,0	+ margins ranging between 2,7% and 2,8%	3,0	2 698,3	+ margins ranging between 0,9% and 5,5%	3,1
Linked to 6-month LIBOR	–	–	–	10,7	+ margins ranging between 1,0% and 4,3%	3,4
Linked to 12-month LIBOR	–	–	–	68,6	+ margins ranging between 0,9% and 5,5%	4,3
Linked to Brazilian prime rate	224,5	+ margins ranging between 6,5% and 9,1%	19,0	194,4	+ margins ranging between 4,9% and 9,4%	14,8
Linked to Stanbic reference rate (Kenya)	13,8	Stanbic reference rate	12,5	18,6	Stanbic reference rate	12,5
Finance lease and instalment credit liabilities	**11,2**			14,5		
Fixed rate	11,2	Rates ranging between 6,8% and 17,9%	6,7	6,8	Rates ranging between 12,0% and 19,9%	15,1
Floating rate	–	–	–	7,7	Linked to South African prime overdraft rate	5,9
Bank overdrafts – floating rate	**1 286,4**			1 127,1		
Linked to 3-month LIBOR	34,3	+ margins ranging between 4,7% and 5,2%	5,4	40,9	+ margin of 2,3%	2,6
Linked to Stanbic reference rate (Kenya)	4,0	Stanbic reference rate	11,3	5,0	Stanbic reference rate	12,5
Linked to 3-month T-bill rate	1,5	+ margins of 2,3%	7,0	–	–	–
Linked to South African prime overdraft rate	1 246,6	Less 1,0%	8,7	1 081,2	Less 1,0%	9,4
Unsecured loans	**5 660,7**			1 750,0		
Fixed rate	29,1	6,0	6,0	–	–	–
Floating rate	5 631,6			1 750,0		
Linked to 3-month LIBOR	45,7	+ margin of 3,0%	3,3	53,6	+ margin of 3,0%	3,3
Linked to 1-month JIBAR	497,4	+ margin of 1,1%	6,6	–	–	–
Linked to 3-month JIBAR	–	–	–	625,0	+ margins ranging between 2,4% and 3,0%	9,9
Linked to BBSY	2 169,0	+ margin of 2,0%	7,0	–	–	–
Linked to overnight call rate	2 919,5	Overnight call	7,7	1 071,4	Overnight call	8,7

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Non-current liabilities continued

18. BORROWINGS continued

Security given

	Secured loans R'million	Finance lease and instalment credit liabilities R'million	Bank overdrafts R'million	Total R'million
Security for borrowings can be split as follows				
US Dollar – Term loan and bridging loan	2 170,7	–	–	2 170,7
Latin America	244,2	2,8	–	247,0
Kenya	13,8	–	–	13,8
Tanzania	–	–	35,8	35,8
South Africa	–	8,4	–	8,4
	2 428,7	11,2	35,8	2 475,7

US Dollar – Term loan and bridging loan

The following security has been given to the security trustee on behalf of a consortium of banks, comprising the offshore operations of Standard Bank of South Africa Ltd, Absa Bank Ltd and Nedbank Ltd

- Guarantee by Aspen Pharmacare Holdings Ltd, Pharmacare Ltd, Aspen Nutritionals (Pty) Ltd and Aspen Australia, and any other subsidiary which becomes wholly owned and contributes more than 5% of Group earnings before interest, tax, depreciation and amortisation or net asset value.
- Pledge of shares by Aspen Pharmacare Holdings Ltd of all its current and future shareholding in Aspen Global.
- Floating and fixed charge of all movable and immovable property by Aspen Global to a value not exceeding USD462,0 million, including:
  - stock-in-trade;
  - all current and future receivables;
  - specified trademarks; and
  - any other assets.
- A charge over receivables of Aspen Australia as security of the guarantee given above.
- Grant of cession of rights and title to the GSK acquisition agreement.

Subsequent to year-end the security as detailed above for the US Dollar term loan and the bridging loan has been released by the consortium of banks. The guarantee given by Aspen Pharmacare Holdings Ltd to the consortium of banks has also been released.

The only security for the US Dollar term loan and the bridging loan will be a guarantee given by Aspen Dubai to the consortium of banks in terms of its obligation under the loan.

Latin America

- Guarantee by Aspen Pharmacare Holdings Ltd to financial institutions to the value of R136,0 million.
- Receivables and cash restricted for use in Brazil to the value of R108,2 million.
- Property, plant and equipment with a carrying value of R2,8 million.

Kenya

Guarantee by Aspen Pharmacare Holdings Ltd as well as a pledge of the manufacturing facility to the value of R13,8 million.

Tanzania

Guarantee by Aspen Pharmacare Holdings Ltd as well as a pledge of land and buildings to the value of R35,8 million.

South Africa

- Property, plant and equipment with a carrying value of R8,5 million.
- Cross guarantees between Aspen Pharmacare Holdings Ltd and its subsidiaries exist in respect of the Group's local unsecured borrowings and bank overdrafts.

Default and breaches

There were no defaults or breaches of the contractual terms of the borrowings during the year. Refer to note 36 for detail.

	2011 R'million	2010 R'million
18. BORROWINGS continued		
Finance leases		
Finance lease liabilities: minimum lease payments		
Not later than one year	**5,0**	11,0
Later than one year but not later than five years	**7,1**	4,2
	12,1	15,2
Future finance charges on finance leases	**(0,9)**	(0,7)
	11,2	14,5
The present value of finance lease liabilities is as follows		
Not later than one year	**4,7**	10,8
Later than one year but not later than five years	**6,5**	3,7
	11,2	14,5

The Group had the following undrawn borrowing facilities at year-end

– South African facilities of R1,7 billion.
– An offshore facility of R4,8 million (Tanzanian Shilling denominated).
– An offshore facility of R217,9 million (Australian Dollar denominated).
– A foreign exchange facility of R211,0 million (US Dollar denominated).

All facilities negotiated are reviewed annually.

	2011 R'million	2010 R'million
19. DEFERRED REVENUE		
Balance at the beginning of the year	**168,0**	–
GSK transactions	**–**	171,6
Received in advance	**23,3**	–
Recognised in the statement of comprehensive income#	**(20,8)**	(4,3)
Translation of foreign operations	**(3,1)**	0,7
	167,4	168,0
Analysis of total deferred revenue		
Non-current	**148,2**	159,4
Current	**19,2**	8,6
	167,4	168,0

#This amount is included in other operating income on the statement of comprehensive income.

In terms of the GSK transactions, the Group sold its rights for the commercialisation of selected Aspen products to GSK. The amount will be released to the statement of comprehensive income over the term of the contract.

20. RETIREMENT BENEFIT OBLIGATIONS

It is the policy of the Group to provide for retirement benefit liabilities by payments to separate funds which are statutorily independent from the Group. These funds cover eligible employees, other than those who opt to be or are required by legislation to be members of various industry funds.

The South African employees not covered by way of legislated funds are covered by way of defined contribution provident funds governed by the Pension Funds Act, 1956, with varying contributions. Benefits are determined in proportion to each member's equitable share of the total assets of the funds on termination of membership.

In line with the Group's policy of accounting for post-retirement medical obligations, an independent actuarial valuation was performed in June 2011 and provision made in the statement of financial position. Principal assumptions used incorporate the following

– A discount rate of 9,0% per annum (2010: 9,4% per annum).
– A medical inflation rate of 7,0% per annum (2010: 6,9% per annum).
– An expected return on plan assets of 8,0% (2010: 8,4%), versus the actual return achieved of 5,0% (2010: 6,5%).
– Salary rate assumptions were not required for 2011 or 2010, as there were no salary-related contributions during either 2011 or 2010.

This valuation has been performed using the projected unit credit funding method to determine the past service liabilities at valuation date.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Non-current liabilities continued

		2011 R'million	2010 R'million
20.	**RETIREMENT BENEFIT OBLIGATIONS continued**		
	Amounts recognised in the statement of financial position		
	Post-retirement medical obligation	18,8	15,4
	Deferred tax effect	(4,4)	(4,3)
		14,4	11,1
	Retirement benefit obligations comprise		
	Present value of unfunded obligations	28,5	25,1
	Fair value of plan assets	(9,7)	(9,7)
		18,8	15,4
	The movement in the liability recognised in the statement of financial position is as follows		
	At the beginning of the year	25,1	19,0
	Interest cost	2,1	1,6
	Current service cost	0,7	0,6
	Contributions paid to the scheme on behalf of pensioners	(0,2)	(0,2)
	Actuarial losses	0,8	1,0
	GSK transactions	–	3,1
		28,5	25,1
	The movement in the fair value of plan assets recognised in the statement of financial position is as follows		
	At the beginning of the year	9,7	9,6
	Actuarial losses	(0,7)	(0,7)
	Expected returns on plan assets	0,7	0,8
		9,7	9,7
	The amounts recognised in the statement of comprehensive income (included in staff costs)		
	Current service cost	0,7	0,6
	Interest cost	2,1	1,6
	Expected return on plan assets	(0,7)	(0,8)
	Expected benefit payments	(0,2)	–
	Actuarial losses	1,5	1,7
		3,4	3,1
	The charge was classified as follows in the statement of comprehensive income		
	Selling and distribution expenses	2,2	1,4
	Administrative expenses	1,2	1,7
		3,4	3,1

The actual return on plan assets was R0,5 million (2010: R0,6 million).

Mortality rate

Assumptions regarding future mortality experience are set out based on advice, published statistics and experience in each territory.

The average life expectancy in years of a pensioner retiring at age 65 on the year-end date is 17,1 for males and 19,7 for females. These assumptions remained unchanged from 2010.

	Increase R'million	Decrease R'million
20. RETIREMENT BENEFIT OBLIGATIONS continued		
The effect of a 1% movement in the assumed medical inflation rate was as follows		
Effect on the aggregate of the current service cost and interest cost	**0,5**	**(0,3)**
Effect on the retirement benefit obligations	**3,5**	**(2,4)**

Aspen's plan assets are invested in a group insurance annuity policy. All funds in this policy are invested in the South African money market. The fair value equals the book value.

The expected return on plan assets was determined by considering the expected returns available on the assets underlying the current insurance policy.

No contributions were paid to the plan for the year ended 30 June 2011.

At 30 June	**2011 R'million**	2010 R'million	2009 R'million	2008 R'million
Present value of retirement benefit obligations	**28,5**	25,1	19,0	18,6
Fair value of plan assets	**(9,7)**	(9,7)	(9,6)	(9,2)
Deficit	**18,8**	15,4	9,4	9,4
Experience adjustments on plan liabilities	**0,8**	1,5	(0,8)	–
Experience adjustments on plan assets	**(0,1)**	–	0,2	0,5

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Current liabilities

	Notes	2011 R'million	2010 R'million
Trade and other payables	21	**2 830,8**	1 913,9
Borrowings	18	**5 138,0**	3 720,8
Deferred revenue	19	**19,2**	8,6
Current tax liabilities		**123,4**	43,4
Derivative financial instruments	22	**65,6**	143,2
Total operating current liabilities		**8 177,0**	5 829,9
Liabilities associated with assets held-for-sale	12	**30,9**	–
		8 207,9	5 829,9

21. TRADE AND OTHER PAYABLES

	2011 R'million	2010 R'million
Financial instruments		
Trade payables	**1 209,8**	1088,2
Accrued expenses	**629,2**	266,7
Interest accrued	**50,4**	54,5
Other	**199,4**	141,6
Total financial instruments*	**2 088,8**	1 551,0
Non-financial instruments		
Indirect taxes	**97,7**	63,7
Leave pay	**114,1**	54,7
Bonuses	**80,2**	81,8
Advance proceeds on assets held-for-sale	**283,2**	–
Other	**166,8**	162,7
Total non-financial instruments	**742,0**	362,9
Total trade and other payables	**2 830,8**	1 913,9

**This amount is classified as 'financial liabilities at amortised cost' in terms of IAS 39 Financial Instruments: Recognition and Measurement.*

Trade payables

	2011 R'million	2010 R'million
21. TRADE AND OTHER PAYABLES continued		
Currency analysis of trade and other payables (financial instruments only)		
Australian Dollar	**898,1**	92,7
Pound Sterling	**80,9**	139,0
Euro	**87,5**	247,4
US Dollar	**555,1**	566,7
Brazilian Real	**16,7**	112,9
Tanzanian Shilling	**34,8**	5,1
Kenyan Shilling	**19,1**	38,4
Rand	**371,8**	316,7
Other currencies	**24,8**	32,1
	2 088,8	1 551,0
Age analysis of trade and other payables (financial instruments only)		
Not past due date	**1 897,7**	1 093,1
Past due by 1 to 30 days	**130,5**	361,8
Past due by 31 to 150 days	**50,8**	92,5
Past due by 151 days to 1 year	**9,8***	3,6
	2 088,8	1 551,0

**This amount mainly relates to exchange control delays in Venezuela and was subsequently paid in September 2011.*

Trade and other payables are predominantly non-interest bearing.

No individual vendor represents more than 10% of the Group's trade payables.

	2011 R'million	2010 R'million
22. DERIVATIVE FINANCIAL INSTRUMENTS		
Liabilities		
Balance at the beginning of the year	**143,2**	178,4
Fair value gains on forward exchange contracts recognised in the statement of comprehensive income	**(1,3)**	(38,0)
Movements on interest rate swaps recognised in equity	**(64,3)**	4,8
Fair value gains	**(64,3)**	(0,8)
Fair value losses	**–**	5,6
Translation of foreign operations	**(12,0)**	(2,0)
	65,6	143,2
The amount above can be analysed as follows		
Forward exchange contracts	**18,9**	20,2
Interest rate swaps	**46,7**	123,0
	65,6	143,2

Both the forward exchange contracts and interest rate swaps are classified as "Level 2" liabilities in the fair value measurement hierarchy.

The net market value of all forward exchange contracts at year-end was calculated by comparing the forward exchange contracted rates to the equivalent year-end market foreign exchange rates. The present value of these net market values was then discounted using the appropriate currency-specific discount curve.

The fair value of interest rate swaps is calculated as the present value or estimated future cash flows discounted using the appropriate yield curve.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Statement of comprehensive income

		Continuing operations		Discontinued operations		Total	
		2011 R'million	Restated 2010 R'million	**2011 R'million**	Restated 2010 R'million	**2011 R'million**	2010 R million
23.	**REVENUE**						
	Sale of goods						
	South Africa	**6 245,4**	5 516,1	**66,7**	76,7	**6 312,1**	5 592,8
	Sub-Saharan Africa	**470,0**	440,9	**–**	–	**470,0**	440,9
	International	**5 528,0**	3 556,0	**426,9**	461,6	**5 954,9**	4 017,6
	Other revenue						
	Royalties – South Africa	**0,3**	0,4	**–**	–	**0,3**	0,4
	– Sub-Saharan Africa	**–**	0,3	**–**	–	**–**	0,3
	Co-marketing fees – South Africa	**50,5**	58,9	**–**	–	**50,5**	58,9
	– International	**89,0**	46,6	**–**	–	**89,0**	46,6
	Licensing fees – International	**–**	–	**–**	45,8	**–**	45,8
		12 383,2	9 619,2	**493,6**	584,1	**12 876,8**	10 203,3
	Revenue by segment						
	South Africa	**6 296,2**	5 575,4	**66,7**	76,7	**6 362,9**	5 652,1
	Sub-Saharan Africa	**470,0**	441,2	**–**	–	**470,0**	441,2
	International	**5 617,0**	3 602,6	**426,9**	507,4	**6 043,9**	4 110,0
		12 383,2	9 619,2	**493,6**	584,1	**12 876,8**	10 203,3
24.	**OPERATING PROFIT**						
	Operating profit has been arrived at after crediting						
	Profit on disposal of intangible assets	**–**	0,1	**18,5**	–	**18,5**	0,1
	After charging						
	Loss on disposal of property, plant and equipment	**2,4**	3,4	**–**	–	**2,4**	3,4
	Auditors' remuneration	**21,8**	19,5	**–**	–	**21,8**	19,5
	Audit fees	**16,3**	13,7	**–**	–	**16,3**	13,7
	– Current year	**15,9**	13,7	**–**	–	**15,9**	13,7
	– Prior year underprovision	**0,4**	–	**–**	–	**0,4**	–
	Other services – tax consulting	**4,6**	0,2	**–**	–	**4,6**	0,2
	Other services – accounting consulting	**0,1**	0,4	**–**	–	**0,1**	0,4
	Other services	**0,8**	0,2	**–**	–	**0,8**	0,2
	Other services – transaction costs	**–**	5,0	**–**	–	**–**	5,0
	Impairment charges	**247,9**	302,3	**0,5**	–	**248,4**	302,3
	Impairment of intangible assets (included in other operating expenses)	**97,3**	85,5	**–**	–	**97,3**	85,5
	Impairment charge – inventories (included in cost of sales)	**117,8**	163,1	**0,5**	–	**118,3**	163,1
	Impairment of property, plant and equipment (included in other operating expenses)	**10,0**	37,6	**–**	–	**10,0**	37,6
	Trade receivables – impairment charge for bad and doubtful debts (included in administrative expenses)	**22,8**	16,1	**–**	–	**22,8**	16,1
	Repairs and maintenance expenditure on property, plant and equipment	**115,3**	98,9	**–**	–	**115,3**	98,9
	Research and development costs	**9,0**	6,0	**–**	–	**9,0**	6,0
	Operating lease rentals	**49,6**	47,4	**–**	–	**49,6**	47,4
	Land and buildings	**27,0**	40,0	**–**	–	**27,0**	40,0
	Plant and equipment	**21,5**	6,0	**–**	–	**21,5**	6,0
	Office equipment, computer equipment and furniture	**1,1**	1,4	**–**	–	**1,1**	1,4
	Restructuring costs	**32,6**	–	**5,6**	–	**38,2**	–
	Transaction costs	**86,1**	2,1	**–**	–	**86,1**	2,1

	Continuing operations		Discontinued operations		Total	
	2011 R'million	Restated 2010 R'million	**2011 R'million**	Restated 2010 R'million	**2011 R'million**	2010 R'million
25. EXPENSES BY NATURE						
Depreciation of property, plant and equipment	**210,9**	150,4	**4,1**	17,4	**215,0**	167,8
Amortisation of intangible assets	**143,0**	101,4	**1,4**	0,5	**144,4**	101,9
Impairment charges	**247,9**	302,3	**0,5**	–	**248,4**	302,3
Repairs and maintenance expenditure on property, plant and equipment	**115,3**	98,9	**–**	–	**115,3**	98,9
Personnel costs and other staff-related costs	**1 799,6**	1 400,8	**18,9**	13,2	**1 818,5**	1 414,0
Share-based payment expense – employees	**30,6**	29,8	**–**	–	**30,6**	29,8
Changes in inventories of finished goods and work-in-progress	**(45,6)**	(669,4)	**16,5**	18,1	**(29,1)**	(651,3)
Purchases of finished goods	**3 218,9**	2 504,6	**186,4**	195,4	**3 405,3**	2 700,0
Other production expenses	**279,6**	390,3	**15,4**	29,6	**295,0**	419,9
Raw materials and consumables used	**2 005,8**	1 810,4	**119,2**	115,9	**2 125,0**	1 926,3
Transport and warehousing costs	**536,2**	448,2	**19,9**	17,7	**556,1**	465,9
Advertising and marketing expenses	**250,6**	237,4	**0,2**	–	**250,8**	237,4
Royalties paid	**54,2**	53,7	**–**	–	**54,2**	53,7
Property costs	**54,9**	47,9	**0,5**	–	**55,4**	47,9
Transaction costs	**86,1**	2,1	**–**	–	**86,1**	2,1
Restructuring costs	**32,6**	–	**5,6**	–	**38,2**	–
Other	**406,4**	365,9	**46,4**	32,4	**452,8**	398,3
	9 427,0	7 274,7	**435,0**	440,2	**9 862,0**	7 714,9
Classified as						
Cost of sales	**6 769,7**	5 142,7				
Selling and distribution expenses	**1 460,7**	1 148,2				
Administrative expenses	**827,3**	740,4				
Other operating expenses	**369,3**	243,4				
	9 427,0	7 274,7				

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Statement of comprehensive income continued

	Continuing operations 2011 R'million	Continuing operations Restated 2010 R'million	Discontinued operations 2011 R'million	Discontinued operations Restated 2010 R'million	Total 2011 R'million	Total 2010 R'million
26. DIRECTORS AND EMPLOYEES						
Staff costs						
Wages and salaries	**1 532,8**	1 216,9	**18,9**	13,2	**1 551,7**	1 230,1
Provident fund contributions – defined contribution plans	**113,2**	86,2	**–**	–	**113,2**	86,2
Medical aid contributions	**61,5**	55,0	**–**	–	**61,5**	55,0
Retirement benefit obligations	**3,4**	2,1	**–**	–	**3,4**	2,1
Other long-term benefits	**0,4**	0,4	**–**	–	**0,4**	0,4
Termination benefits	**12,8**	12,1	**–**	–	**12,8**	12,1
Share-based payment expense – options and appreciation rights	**14,1**	22,1	**–**	–	**14,1**	22,1
Share-based payment expense – Workers' Share Plan	**–**	0,9	**–**	–	**–**	0,9
Share-based payment expense – deferred incentive bonus	**15,7**	6,8	**–**	–	**15,7**	6,8
Share-based payment expense – phantom share scheme	**0,8**	–	**–**	–	**0,8**	–
Other company contributions	**29,6**	32,1	**–**	–	**29,6**	32,1
	1 784,3	1 434,6	**18,9**	13,2	**1 803,2**	1 447,8
Amount included in cost of sales	**945,6**	768,7	**–**	–	**945,6**	768,7
Wages and salaries	**846,2**	679,6	**–**	–	**846,2**	679,6
Benefits	**99,4**	89,1	**–**	–	**99,4**	89,1
Amount included in selling and distribution expenses	**422,6**	290,5	**–**	–	**422,6**	290,5
Wages and salaries	**343,4**	228,4	**–**	–	**343,4**	228,4
Benefits	**79,2**	62,1	**–**	–	**79,2**	62,1
Amount included in administrative expenses	**416,1**	375,4	**18,9**	13,2	**435,0**	388,6
Wages and salaries	**343,0**	308,9	**18,9**	13,2	**361,9**	322,1
Benefits	**73,1**	66,5	**–**	–	**73,1**	66,5
Total number of employees at year-end	**6 319**	6 067	**–#**	–#	**6 319**	6 067
Full-time employees	**5 168**	4 583	**–**	–	**5 168**	4 583
Part-time employees	**1 151**	1 484	**–**	–	**1 151**	1 484

#The total number of employees for discontinued operations has not been disclosed as they were not deemed as part of the total number of employees at year-end.

26. DIRECTORS AND EMPLOYEES continued

Directors' emoluments and prescribed officers

	Fees R'million	Remune-ration R'million	Retirement and medical aid benefits R'million	Performance bonus R'million	Share expenses* R'million	Total R'million
2011						
Non-executive directors						
Archie Aaron	0,1	–	–	–	–	0,1
Roy Andersen	0,3	–	–	–	–	0,3
Rafique Bagus	0,4	–	–	–	–	0,4
John Buchanan	0,5	–	–	–	–	0,5
Judy Dlamini	0,7	–	–	–	–	0,7
Abbas Hussain	0,1	–	–	–	–	0,1
Chris Mortimer	0,2	–	–	–	–	0,2
David Nurek	0,3	–	–	–	–	0,3
Sindi Zilwa	0,3	–	–	–	–	0,3
Total (A)	2,9	–	–	–	–	2,9
Executive directors						
Gus Attridge	–	3,9	0,5	4,3	2,1	10,8
Stephen Saad	–	4,7	0,6	5,2	2,6	13,1
Total (B)	–	8,6	1,1	9,5	4,7	23,9
Prescribed officers						
Morné Geyser	–	1,8	0,3	0,5	3,6	6,2
Noel Guliwe	–	2,5	0,4	0,7	0,8	4,4
Total (C)	–	4,2	0,7	1,2	4,4	10,6
Total emoluments (A+B+C)						37,4
Less paid by subsidiary companies (D)						15,0
Total emoluments paid by Aspen (A+B+C-D)						22,4

* *This includes both the IFRS 2 share-based payment expense as well as gains made on the exercise of share options and/or share appreciation rights.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Statement of comprehensive income

26. DIRECTORS AND EMPLOYEES

Directors' emoluments and prescribed officers

	Fees R'million	Remune-ration R'million	Retirement and medical aid benefits R'million	Performance bonus R'million	Share expenses* R'million	Total R'million
2010						
Non-executive directors						
Archie Aaron	0,2	–	–	–	–	0,2
Roy Andersen	0,3	–	–	–	–	0,3
Rafique Bagus	0,2	–	–	–	–	0,2
John Buchanan	0,5	–	–	–	–	0,5
Judy Dlamini	0,6	–	–	–	–	0,6
Abbas Hussain	0,1	–	–	–	–	0,1
Chris Mortimer	0,3	–	–	–	–	0,3
David Nurek	0,2	–	–	–	–	0,2
Sindi Zilwa	0,3	–	–	–	–	0,3
Total (A)	2,7	–	–	–	–	2,7
Executive directors						
Gus Attridge	–	3,6	0,5	4,1	1,8	10,0
Stephen Saad	–	4,4	0,5	5,0	2,1	12,0
Total (B)	–	8,0	1,0	9,1	3,9	22,0
Prescribed officers						
Morné Geyser	–	1,4	0,2	0,5	0,3	2,4
Noel Guliwe	–	2,3	0,4	0,7	0,4	3,8
Total (C)	–	3,7	0,6	1,2	0,7	6,2
Total emoluments (A+B+C)						30,9
Less paid by subsidiary companies (D)						10,7
Total emoluments paid by Aspen (A+B+C-D)						20,2

** This includes both the IFRS 2 share-based payment expense as well as gains made on the exercise of share options and/or share appreciation rights.*

	Continuing operations		Discontinued operations		Total	
	2011 R'million	Restated 2010 R'million	**2011 R'million**	Restated 2010 R'million	**2011 R'million**	2010 R'million
27. INVESTMENT INCOME						
Interest on bank balances and short-term deposits	**181,1**	178,6	**–**	–	**181,1**	178,6
Revenue authorities	**8,9**	6,1	**–**	–	**8,9**	6,1
Other	**3,2**	3,2	**–**	–	**3,2**	3,2
	193,2	187,9	**–**	–	**193,2**	187,9
28. FINANCING COSTS						
Interest paid	**(611,1)**	(548,0)	**(1,5)**	(5,1)	**(612,6)**	(553,1)
Non-current borrowings	**(137,2)**	(193,7)	**–**	–	**(137,2)**	(193,7)
Bank overdrafts and current borrowings	**(464,3)**	(342,1)	**(1,5)**	(5,1)	**(465,8)**	(347,2)
Finance leases	**(0,6)**	(3,0)	**–**	–	**(0,6)**	(3,0)
Revenue authorities	**(0,1)**	(0,1)	**–**	–	**(0,1)**	(0,1)
Other	**(8,9)**	(9,1)	**–**	–	**(8,9)**	(9,1)
Preference shares dividends paid – liability component	**(26,3)**	(27,9)	**–**	–	**(26,3)**	(27,9)
Capital raising fees	**(33,2)**	–	**–**	–	**(33,2)**	–
Notional interest income on financial instruments	**3,3**	3,8	**–**	–	**3,3**	3,8
Net foreign exchange gains/(losses)	**60,8**	(19,0)	**–**	–	**60,8**	(19,0)
Fair value gains on derivative financial instruments – Forward exchange contracts	**1,2**	37,9	**–**	–	**1,2**	37,9
	(605,3)	(553,2)	**(1,5)**	(5,1)	**(606,8)**	(558,3)

Financing costs above exclude financing costs of R14,4 million which have been capitalised during 2011 to capital work-in-progress (2010: R11,9 million). Refer to note 1 for detail.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Statement of comprehensive income continued

	Continuing operations 2011 R'million	Continuing operations Restated 2010 R'million	Discontinued operations 2011 R'million	Discontinued operations Restated 2010 R'million	Total 2011 R'million	Total 2010 R'million
29. TAX						
South African tax						
Current tax						
– current year	**377,2**	325,7	**1,0**	(1,5)	**378,2**	324,2
– prior year	**(15,8)**	(27,7)	**–**	–	**(15,8)**	(27,7)
Deferred tax						
– current year	**95,6**	62,7	**–**	–	**95,6**	62,7
– prior year	**8,7**	22,9	**–**	–	**8,7**	22,9
Secondary tax on companies and other dividend taxes	**2,8**	3,0	**–**	–	**2,8**	3,0
Capital gains tax	**2,8**	20,7	**–**	–	**2,8**	20,7
Withholding tax	**0,2**	1,8	**–**	–	**0,2**	1,8
	471,5	409,1	**1,0**	(1,5)	**472,5**	407,6
International tax						
Current tax						
– current year	**180,6**	93,2	**13,4**	15,8	**194,0**	109,0
– prior year	**(5,7)**	(1,1)	**–**	–	**(5,7)**	(1,1)
Deferred tax						
– current year	**(53,3)**	(44,4)	**–**	–	**(53,3)**	(44,4)
– prior year	**(15,1)**	1,7	**–**	–	**(15,1)**	1,7
Withholding tax	**4,8**	–	**–**	–	**4,8**	–
Hyperinflationary adjustments – Venezuela	**(0,7)**	–	**–**	–	**(0,7)**	–
	110,6	49,4	**13,4**	15,8	**124,0**	65,2
Total tax charge	**582,1**	458,5	**14,4**	14,3	**596,5**	472,8
Reconciliation of the tax rate	**%**	%	**%**	%	**%**	%
Effective tax rate	**21,3**	21,3	**3,2**	4,9	**18,7**	19,3
Capital and exempt income	**0,2**	0,6	**24,5**	14,7	**3,6**	2,3
Prior year adjustments	**1,0**	0,2	**–**	–	**0,9**	0,2
Foreign rates of tax	**4,2**	5,8	**1,4**	4,1	**3,8**	5,6
Disallowable expenses	**(2,7)**	(6,4)	**(1,1)**	–	**(2,4)**	(5,7)
Non-deductible portion of share-based payment expense – employees	**(0,4)**	(0,5)	**–**	–	**(0,4)**	(0,4)
Non-deductible amortisation of intangible assets	**(0,7)**	(0,4)	**–**	–	**(0,6)**	(0,4)
Other disallowable expenses	**(1,6)**	(5,5)	**(1,1)**	–	**(1,4)**	(4,9)
Secondary tax on companies and other dividend taxes	**(0,1)**	(0,1)	**–**	–	**(0,1)**	(0,1)
Capital gains tax	**(0,1)**	(1,0)	**–**	–	**(0,1)**	(0,8)
Deemed foreign tax credit	**2,8**	4,1	**–**	–	**2,4**	3,6
Tax losses utilised in current year	**0,3**	1,2	**–**	–	**0,3**	1,0
Strategic project allowance	**–**	2,1	**–**	–	**–**	1,9
Development cost allowance	**0,7**	0,3	**–**	–	**0,6**	0,2
Other reconciling items	**0,4**	(0,1)	**–**	4,3	**0,3**	0,5
Tax at the statutory rate	**28,0**	28,0	**28,0**	28,0	**28,0**	28,0
	R'million	R'million	**R'million**	R'million	**R'million**	R'million
Unutilised tax benefits						
Opening balance	**(3,8)**	(1,9)	**–**	–	**(3,8)**	(1,9)
Utilised against current profits	**–**	0,4	**–**	–	**–**	0,4
Applied to increase deferred tax asset	**–**	0,3	**–**	–	**–**	0,3
Current losses incurred	**(2,4)**	(2,6)	**–**	–	**(2,4)**	(2,6)
Tax losses available to reduce future taxable income	**(6,2)**	(3,8)	**–**	–	**(6,2)**	(3,8)

30. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by a subsidiary of Aspen and held as treasury shares.

Weighted average number of shares in issue is calculated as the number of shares in issue at the beginning of the year, increased by shares issued during the year, weighted on a time basis for the period during which they have participated in the profit of the Group. Shares which were subject to a specific share buy-back and which are held by a subsidiary company as treasury shares have been adjusted on a time basis in determining the weighted average number of shares in issue.

	Continuing operations		Discontinued operations		Total	
	2011 R'million	Restated 2010 R'million	2011 R'million	Restated 2010 R'million	2011 R'million	2010 R'million
Profit attributable to equity holders of the parent	2 143,8	1 710,0	434,0	279,6	2 577,8	1 989,6
Weighted average number of shares in issue ('000)*	432 914	401 987	432 914	401 987	432 914	401 987
Earnings per share (cents)	495,2	425,4	100,3	69,5	595,5	494,9

Diluted earnings per share

The diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has three categories of dilutive potential ordinary shares, namely share options, share appreciation rights and convertible preference shares. A calculation is performed to determine the number of shares that could have been acquired at fair value based on the monetary value of the subscription rights attached to the outstanding share options and appreciation rights. Fair value is calculated as the average share price for the year for share options. The closing price is used for share appreciation rights, as these are classified as contingently issuable shares in terms of IAS 33 *Earnings per share*. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

The difference is added to the denominator as an issue of ordinary shares for no consideration. Earnings were adjusted by the preference shares dividends paid and the notional interest on the liability component of the preference shares.

	Continuing operations		Discontinued operations		Total	
	2011 R'million	Restated 2010 R'million	2011 R'million	Restated 2010 R'million	2011 R'million	2010 R'million
Profit attributable to equity holders of the parent	2 143,8	1 710,0	434,0	279,6	2 577,8	1 989,6
Adjusted for						
– Preference shares dividends paid	26,3	27,9	–	–	26,3	27,9
– Notional interest – liability component of preference shares	(5,3)	5,6	–	–	(5,3)	5,6
	2 164,8	1 743,5	434,0	279,6	2 598,8	2 023,1
Weighted average number of shares for diluted earnings per share ('000)	454 360	426 163	454 360	426 163	454 360	426 163
Adjustment for share options and share appreciation rights ('000)	3 846	6 576	3 846	6 576	3 846	6 576
Total number of convertible preference shares ('000)	17 600	17 600	17 600	17 600	17 600	17 600
Weighted average number of shares in issue ('000)*	432 914	401 987	432 914	401 987	432 914	401 987
Diluted earnings per share (cents)	476,5	409,1	95,5	65,6	572,0	474,7

** After deduction of weighted treasury shares.*

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for the year ended 30 June 2011

Statement of comprehensive income continued

	Continuing operations 2011 R'million	Continuing operations Restated 2010 R'million	Discontinued operations 2011 R'million	Discontinued operations Restated 2010 R'million	Total 2011 R'million	Total 2010 R'million
30. EARNINGS PER SHARE continued						
Headline earnings per share						
Reconciliation of headline earnings						
Profit attributable to equity holders of the parent	**2 143,8**	1 710,0	**434,0**	279,6	**2 577,8**	1 989,6
Adjusted for*						
– Loss on sale of property, plant and equipment (net of tax)	**1,7**	2,6	**–**	–	**1,7**	2,6
– Impairment of property, plant and equipment (net of tax)	**7,4**	25,3	**–**	–	**7,4**	25,3
– Impairment of deferred receivable (net of tax)	**–**	17,1	**–**	–	**–**	17,1
– Impairment of intangible assets (net of tax)	**83,8**	68,4	**–**	–	**83,8**	68,4
– Insurance compensation – capital component	**(11,5)**	(27,7)	**–**	–	**(11,5)**	(27,7)
– Capital gains tax on transfer of intellectual property rights	**–**	20,7	**–**	–	**–**	20,7
– Profit on sale of intangible assets (net of tax)	**(7,4)**	(0,1)	**(18,1)**	–	**(25,5)**	(0,1)
– Profit on sale of decommissioned Beta manufacturing facility (net of tax)	**(6,1)**	–	**–**	–	**(6,1)**	–
– Profit on sale of the Oncology business (net of tax)	**–**	–	**(367,9)**	(154,7)	**(367,9)**	(154,7)
– Profit on sale of Co-pharma Ltd (net of tax)	**–**	–	**(7,4)**	–	**(7,4)**	–
Headline earnings	**2 211,7**	1 816,3	**40,6**	124,9	**2 252,3**	1 941,2
Weighted average number of shares in issue ('000)**	**432 914**	401 987	**432 914**	401 987	**432 914**	401 987
Headline earnings per share (cents)	**510,9**	451,8	**9,4**	31,1	**520,3**	482,9

*None of the headline earnings adjustments include non-controlling interests.
**After deduction of weighted treasury shares.

	Continuing operations		Discontinued operations		Total	
	2011 R'million	Restated 2010 R'million	**2011 R'million**	Restated 2010 R'million	**2011 R'million**	2010 R'million
30. EARNINGS PER SHARE continued						
Headline earnings per share continued						
Diluted headline earnings per share						
Diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than headline earnings being the numerator.						
Headline earnings	**2 211,7**	1 816,3	**40,6**	124,9	**2 252,3**	1 941,2
Adjusted for						
– Preference shares dividends paid	**26,3**	27,9	**–**	–	**26,3**	27,9
– Notional interest – liability component of preference shares	**(5,3)**	5,6	**–**	–	**(5,3)**	5,6
Diluted headline earnings	**2 232,7**	1 849,8	**40,6**	124,9	**2 273,3**	1 974,7
Weighted average number of shares for diluted headline earnings per share ('000)	**454 360**	426 163	**454 360**	426 163	**454 360**	426 163
Adjustment for share options and share appreciation rights ('000)	**3 846**	6 576	**3 846**	6 576	**3 846**	6 576
Total number of convertible preference shares ('000)	**17 600**	17 600	**17 600**	17 600	**17 600**	17 600
Weighted average number of shares in issue ('000)*	**432 914**	401 987	**432 914**	401 987	**432 914**	401 987
Diluted headline earnings per share (cents)	**491,4**	434,2	**8,9**	29,3	**500,3**	463,5

After deduction of weighted treasury shares.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Statement of comprehensive income continued

31. CAPITAL DISTRIBUTION

A capital distribution of 105 cents was declared after year-end. This capital distribution will be accounted for in the statement of comprehensive income for the year ending 30 June 2012, in accordance with IAS 10 *Events After Balance Sheet Date*. A capital distribution of 70 cents was declared after the year ended 30 June 2010. This capital distribution has been accounted for in the statement of comprehensive income for the year ended 30 June 2011, in accordance with IAS 10 *Events After Balance Sheet Date*.

	2011 R'million	Restated 2010 R'million
32. PROFIT AFTER TAX FOR THE YEAR FROM DISCONTINUED OPERATIONS		
Profit after tax for the year from discontinued operations	**40,6**	124,9
Profit on sale of personal care products	**18,1**	–
Profit on sale of Co-pharma Ltd	**7,4**	–
Profit on sale of the Oncology business	**367,9**	154,7
	434,0	279,6
Operations classified as discontinued include the following		
– The South African personal care products disposed of during the year and subsequent to year-end.		
– The products acquired from GSK and subsequently sold back to GSK for the territories of India, Pakistan, Bangladesh, Sri Lanka and Afghanistan.		
– The Oncology business.		
– The Campos facility and related products in Brazil.		
Abridged statement of comprehensive income		
Revenue	**493,6**	584,1
Net expenses	**(43,5)**	(284,9)
Operating profit	**450,1**	299,2
Net financing costs	**(1,7)**	(5,2)
Profit before tax	**448,4**	294,0
Tax	**(14,4)**	(14,4)
Profit for the year	**434,0**	279,6
Abridged statement of cash flows		
Cash generated from operating activities	**44,2**	138,7
Cash used in investing activities	**–**	(62,3)
Translation effects on cash and cash equivalents of foreign operations	**–**	0,2
Movement in cash and cash equivalents	**44,2**	76,6
Cash and cash equivalents at the beginning of the year	**–**	0,3
Cash and cash equivalents at the end of the year	**44,2**	76,9

	2011 R'million	Restated 2010 R'million
33. OTHER COMPREHENSIVE INCOME		
Components of other comprehensive income		
Currency gains on net investment in Aspen Asia Pacific	**81,2**	–
Net investment hedge loss on capital reduction in Aspen Asia Pacific	**(66,1)**	–
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business	**169,0**	–
Cash flow hedges realised	**4,6**	(4,8)
Currency translation losses	**(223,0)**	(25,1)
Onco Therapies Ltd transaction	**–**	0,8
Unrealised cash flow hedges recognised	**59,7**	–
Other comprehensive income before tax	**25,4**	(29,1)
Tax effect on other comprehensive income	**47,8**	–
Other comprehensive income, net of tax	**73,2**	(29,1)

	Other comprehensive income net of tax		Attributable to	
	Gross R'million	Tax R'million	Non-controlling interests R'million	Equity holders of the parent R'million
Tax and non-controlling interests on other comprehensive income				
2011				
Currency gains on net investment in Aspen Asia Pacific	**81,2**	**–**	**–**	**81,2**
Net investment hedge loss on capital reduction in Aspen Asia Pacific	**(66,1)**	**–**	**–**	**(66,1)**
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business	**169,0**	**47,8**	**–**	**216,8**
Cash flow hedges realised	**4,6**	**–**	**–**	**4,6**
Currency translation losses	**(223,0)**	**–**	**(4,3)**	**(218,7)**
Unrealised cash flow hedges recognised	**59,7**	**–**	**–**	**59,7**
	25,4	**47,8**	**(4,3)**	**77,5**
2010				
Cash flow hedges realised	(4,8)	–	–	(4,8)
Currency translation losses	(25,1)	–	(8,8)	(16,3)
Onco Therapies Ltd transaction	0,8	–	–	0,8
	(29,1)	–	(8,8)	(20,3)

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Other disclosures

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	2011 R'million	2010 R'million
34. COMMITMENTS UNDER LEASES		
Minimum future lease payments – operating leases		
The Group rents buildings under non-current, non-cancellable operating leases and also rents offices, warehouses, parking and other equipment under operating leases that are cancellable at various short-term notice periods by either party.		
Operating lease commitments		
Land and buildings	**78,4**	99,2
Plant and equipment	**67,0**	4,7
Other	**22,0**	2,3
	167,4	106,2
The future minimum operating lease payments are as follows		
Less than 1 year	**63,4**	30,5
Between 1 and 5 years	**104,0**	75,7
	167,4	106,2

Operating leases comprise a number of individually insignificant leases.

These leasing arrangements do not impose any significant restrictions on the Group.

Finance lease commitments

Finance leases comprise a number of individually insignificant leases. Refer to note 18 for finance lease liabilities.

	2011 R'million	2010 R'million
34. COMMITMENTS UNDER LEASES continued		
Other commitments		
During the 2005 financial year, Aspen Australia entered into a ten-year agreement with Novartis Australia Pty Ltd to distribute and market a range of their products. In terms of this agreement Aspen is committed to spend the following amounts on promotion of the products		
Payable within 1 year	6,3	6,1
Payable thereafter	14,1	18,6
	20,4	24,7
35. CONTINGENT LIABILITIES		
Additional payments in respect of the Quit worldwide intellectual property rights	6,7	7,6
Contingency arising from product liability claim	17,6	–
Contingencies arising from labour cases	24,8	–
Other obligations to third parties	1,7	3,4
Tax duty contingencies	10,3	8,3
	61,1	19,3
Guarantees to financial institutions		
Material guarantees given by Group companies for indebtedness of subsidiaries to financial institutions		
US Dollar term loan and bridging loan	2 189,2*	2 717,9
Brazil	135,6	99,5
East Africa	27,1	57,5
Pharmacare Ltd	2 909,2	–
Aspen Pharmacare Holdings Ltd	497,4	–
FCC	29,1	–
	5 787,6	2 874,9

This amount has been released by the consortium of banks subsequent to year-end.

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for the year ended 30 June 2011

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT

36.1 Introduction

The Group does not trade in financial instruments, but in the ordinary course of business operations, the Group is exposed to a variety of financial risks arising from the use of financial instruments. These risks include

- Market risk (comprising interest rate risk and foreign currency risk)
- Liquidity risk
- Credit risk

The Group has developed a comprehensive risk management process to facilitate, control and monitor these risks. This process includes formal documentation of policies, including limits and reporting structures. The Audit Committee has the overall responsibility for the establishment and oversight of the Group's risk management framework.

Financial risk management is carried out by the Group Treasury Management Department in close co-operation with operational units, using guidance provided by the Audit Committee. A formal treasury policy, approved by the Audit Committee, setting out the role and responsibility of the Group Treasury Management Department and the management of risk is adhered to. A significant part of administration of foreign exchange risk management is outsourced. The Group Treasury Management Department identifies, evaluates and hedges financial risks. The Audit Committee provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Risk management and measurement relating to each of these risks is discussed under the headings below. The Group's objective in using derivative financial instruments for hedging purposes is to reduce the uncertainty over future cash flows arising from foreign currency and interest rate exposures.

36.2 Financial instruments by category

The carrying value of financial instruments by category is as follows

	Loans and receivables R'million	At fair value through profit or loss R'million	At amortised cost R'million	Total R'million
June 2011				
Financial assets				
Other non-current financial receivables	11,8	–	–	11,8
Trade and other receivables (financial instruments only)	2 886,8	–	–	2 886,8
Cash and cash equivalents	3 039,2	–	–	3 039,2
Cash restricted for use	28,7	–	–	28,7
Total financial assets	5 966,5	–	–	5 966,5
Financial liabilities				
Preference shares – liability component	–	–	381,3	381,3
Secured loans	–	–	2 428,7	2 428,7
Unsecured loans	–	–	5 660,7	5 660,7
Finance lease and instalment credit liabilities	–	–	11,2	11,2
Bank overdrafts	–	–	1 286,4	1 286,4
Trade and other payables (financial instruments only)	–	–	2 088,8	2 088,8
Forward exchange contracts	–	18,9	–	18,9
Interest rate swaps	–	46,7	–	46,7
Total financial liabilities	–	65,6	11 857,1	11 922,7

36. FINANCIAL RISK MANAGEMENT continued

36.2 Financial instruments by category continued

	Loans and receivables R'million	At fair value through profit or loss R'million	At amortised cost R'million	Total R'million
June 2010				
Financial assets				
Other non-current financial receivables	32,4	–	–	32,4
Trade and other receivables (financial instruments only)	2 139,5	–	–	2 139,5
Cash and cash equivalents	2 939,8	–	–	2 939,8
Cash restricted for use	21,8	–	–	21,8
Total financial assets	5 133,5	–	–	5 133,5
Financial liabilities				
Preference shares – liability component	–	–	386,6	386,6
Secured loans	–	–	3 089,4	3 089,4
Unsecured loans	–	–	1 750,0	1 750,0
Finance lease and instalment credit liabilities	–	–	14,5	14,5
Bank overdrafts	–	–	1 127,1	1 127,1
Trade and other payables (financial instruments only)	–	–	1 551,0	1 551,0
Forward exchange contracts	–	20,2	–	20,2
Interest rate swaps	–	123,0	–	123,0
Total financial liabilities	–	143,2	7 918,7	8 061,8

36.3 Market risk management

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. The market risks that the Group is primarily exposed to includes foreign currency risk and interest rate risk. Market risk is managed by identifying and quantifying risks on the basis of current and future expectations and ensuring that all trading occurs within defined parameters. This involves the review and implementation of methodologies to reduce risk exposure. The reporting on the state of the risk and risk practices to executive management is part of this process. The processes set up to measure, monitor and mitigate these market risks are described below. There has been no change to the Group's exposure to market risk or the manner in which it manages and measures the risk since the previous period.

36.4 Foreign currency risk

The Group's transactions are predominantly entered into in the respective functional currency of the individual operations. However, the Group's operations utilise various foreign currencies (currencies other than the operations' functional currencies) in respect of sales, purchases and borrowings, and consequently the Group is exposed to exchange rate fluctuations that have an impact on cash flows. These operations are exposed to foreign currency risk in connection with contracted payments in currencies not in their individual functional currency. The translation of foreign operations to the presentation currency of the Group (translation risk), as well as economic risk, is not taken into account when considering foreign currency risk. Economic risk refers to the effect of exchange rate movements on the international competitiveness of the Company. Economic risk is not handled by the Group Treasury Management Department, as it is a strategic matter managed directly by the Aspen Board.

Foreign currency risks are managed through the Group's financing policies and selective use of forward exchange contracts.

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Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.4 Foreign currency risk continued

Forward exchange contracts

Forward exchange contracts are utilised to reduce foreign currency exposure arising from imports and exports.

All forward exchange contracts are supported by underlying commitments or transactions which have already occurred.

At 30 June 2011 and 2010 the Group had forward exchange contracts denominated in various currencies in respect of firm commitments.

Hedge accounting

Cash flow hedge in respect of the Sigma pharmaceutical business

The Group entered into forward exchange contracts to hedge the foreign currency risk arising from changes in the Australian Dollar/Rand spot exchange rate associated with the settlement of a portion of the purchase price for the Sigma pharmaceutical business.

The forward exchange contracts were designated as cash flow hedges. None of these forward exchange contracts were outstanding at 30 June 2011.

The hedged cash flows took place prior to 30 June 2011. The fair value movement of the forward exchange contracts of R169,0 million was deferred in equity in accordance with the application of cash flow hedge accounting.

The fair value movements deferred in equity will remain in equity until the investment is disposed of or if the net investment is impaired, at which time it will affect the statement of comprehensive income.

Net investment hedge on capital reduction in Aspen Asia Pacific

The Group entered into forward exchange contracts to hedge the foreign currency risk arising from changes in the US Dollar/Australian Dollar spot exchange rate associated with the capital reduction in Aspen Asia Pacific.

The forward exchange contracts were designated as a net investment hedge. The forward exchange contract was not outstanding at 30 June 2011.

The hedged cash flow took place prior to 30 June 2011. The fair value movement of the forward exchange contracts of R66,1 million was deferred in equity in accordance with the application of net investment hedge accounting.

The fair value movements deferred in equity will remain in equity until the investment is disposed of or if the net investment is impaired, at which time it will affect the statement of comprehensive income.

The table below reflects the fair values of outstanding forward exchange contracts at year-end

	Foreign amount million	Forward cover value R'million	Marked-to-market value R'million	Cumulative fair value gain/(loss) in statement of comprehensive income R'million
June 2011				
Imports*				
Swiss Franc	0,5	4,3	4,4	0,1
Euro	8,9	88,6	88,2	(0,4)
Pound Sterling	1,8	20,7	19,6	(1,1)
Japanese Yen	22,8	2,0	2,0	–
US Dollar	49,7	359,9	342,5	(17,4)
		475,5	456,7	(18,8)
Exports*				
Euro	1,9	18,8	19,1	(0,3)
US Dollar	3,7	25,1	24,9	0,2
		43,9	44,0	(0,1)

**Includes forward exchange contracts that represent imports and exports being managed on a net basis.*

36. FINANCIAL RISK MANAGEMENT continued

36.4 Foreign currency risk continued

	Foreign amount million	Forward cover value R'million	Marked-to-market value R'million	Cumulative fair value gain/(loss) in statement of comprehensive income R'million
June 2010				
Imports*				
Swiss Franc	0,3	2,5	2,6	0,1
Euro	18,5	189,6	177,2	(12,4)
Pound Sterling	1,3	16,6	15,3	(1,3)
Japanese Yen	15,6	1,3	1,4	0,1
US Dollar	47,6	377,1	370,2	(6,9)
		587,1	566,7	(20,4)
Exports*				
Euro	0,8	8,4	7,9	0,5
US Dollar	2,9	22,3	22,5	(0,2)
		30,7	30,4	0,3

**Includes forward exchange contracts that represent imports and exports being managed on a net basis.*

Definitions

Marked-to-market value – Foreign notional amount translated at the market forward rate at 30 June.

Forward cover value – Foreign notional amount translated at the contracted rate.

The maturity profiles of the foreign exchange contracts at year-end (including those contracts for which the underlying transactions were recorded but payment not reflected by year-end) are summarised as follows

	Marked-to-market value	
	2011 R'million	2010 R'million
July	**74,3**	206,2
August	**67,5**	105,7
September	**64,2**	72,8
October	**58,6**	64,8
November	**49,7**	48,4
December	**71,0**	15,0
January	**16,7**	17,1
February	**9,9**	4,3
March	**–**	1,1
April	**0,8**	0,9
	412,7	536,3

Notes to the Group Annual Financial Statements continued

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Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.4 Foreign currency risk continued

Exposure to currency risk

Sensitivity analysis

The Group has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous 10% strengthening or weakening in the Rand against all other currencies, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

The Group is mainly exposed to fluctuations in foreign exchange rates in respect of the Rand, US Dollar, Euro, Brazilian Real, Mexican Peso, Kenyan Shilling, Pound Sterling, Australian Dollar and Tanzanian Shilling. The analysis considers the impact of changes in foreign exchange rates on the statement of comprehensive income, excluding foreign exchange translation differences resulting from the translation of Group entities that have a functional currency different from the presentation currency, into the Group's presentation currency (and recognised in the foreign currency translation reserve), which amounted to a direct debit to equity of R137,5 million at 30 June 2011 (2010: R14,8 million).

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2010.

A change in the foreign exchange rates to which the Group is exposed at the reporting date would have increased/(decreased) profit before tax by the amounts shown below.

		Change in exchange rate	Weakening in functional currency	
		%	**2011 R'million**	2010 R'million
Denominated	: Functional currency			
Rand	: US Dollar	10	**(44,8)**	(55,4)
Rand	: Euro	10	**(6,1)**	(20,4)
Rand	: Pound Sterling	10	**1,7**	0,3
US Dollar	: Pound Sterling	10	**18,5**	15,4
US Dollar	: Australian Dollar	10	**7,8**	4,3
US Dollar	: Euro	10	**13,3**	23,8
Brazilian Real	: US Dollar	10	**(0,7)**	(2,7)
Tanzanian Shilling	: US Dollar	10	**0,2**	(2,2)
Tanzanian Shilling	: Kenyan Shilling	10	**–**	(0,9)
Mexican Peso	: US Dollar	10	**0,3**	3,5
Other exposures		10	**8,5**	4,0
			(1,3)	(30,3)

A 10% strengthening in the Rand against the above currencies at 30 June would have the equal but opposite effect on profit before tax, on the basis that all other variables remain constant.

36. FINANCIAL RISK MANAGEMENT continued

36.4 Foreign currency risk continued

The following significant exchange rates against the Rand applied at year-end

	Spot rate		Average rate	
	2011	2010	**2011**	2010
Australian Dollar	**7,26**	6,42	**6,96**	6,71
Brazilian Real	**4,34**	4,25	**4,20**	4,21
Euro	**9,83**	9,42	**9,57**	10,53
Kenyan Shilling (inverse)	**13,25**	10,70	**11,84**	10,12
Mexican Peso	**0,58**	0,60	**0,57**	0,59
Pound Sterling	**10,87**	11,48	**11,10**	11,98
Tanzanian Shilling (inverse)	**238,64**	192,00	**217,03**	178,25
US Dollar	**6,78**	7,66	**6,97**	7,60

36.5 Interest rate risk

Exposure to interest rate risk on financial assets and liabilities is monitored on a continuous and proactive basis. The debt of the Group is structured on a combination of floating and fixed interest rates. The benefits of fixing or capping interest rates on the Group's various financing activities are considered on a case-by-case and project-by-project basis, taking the specific and overall risk profile into consideration.

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows

	Carrying value	
	2011 R'million	2010 R'million
Variable rate instruments		
Financial receivables	**(11,8)**	(32,4)
Receivables and prepayments	**(11,4)**	(2,1)
Cash and cash equivalents	**(2 383,1)**	(1 751,8)
Cash restricted for use	**(3,9)**	–
Financial assets (A)	**(2 410,2)**	(1 786,3)
Preference shares – liability component	**381,3**	386,6
Borrowings	**8 258,6**	3 087,8
Trade and other payables	**1,4**	–
Financial liabilities (B)	**8 641,3**	3 474,4
Variable rate exposure (A+B)	**6 231,1**	1 688,1

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.5 Interest rate risk continued

	Carrying value 2011 R'million	Carrying value 2010 R'million
Fixed rate instruments		
Receivables and prepayments	–	(113,0)
Cash and cash equivalents	(402,6)	(900,8)
Financial assets (A)	(402,6)	(1 013,8)
Financial liabilities – Borrowings (B)	1 165,0	2 921,7
Variable rate exposure (A+B)	762,4	1 907,9
Interest profile (variable:fixed rate as a percentage of total interest bearing)	89:11	47:53

The following interest rate derivative contract was in place at 30 June 2011

Interest rate swaps

The Group has entered into interest rate swaps to hedge the cash flow interest rate risk of certain non-current borrowing amounts. Details of the pay fixed rate, receive floating rate swap is as follows

	Contract amount R'million	Fixed interest rate %	Expiry date	Fair value losses R'million
US Dollar – Loan A	1 728,9	6,1 (3-month LIBOR)	10 October 2013	59,7
	1 728,9			59,7

36. FINANCIAL RISK MANAGEMENT continued

36.5 Interest rate risk continued

The interest rate swap was designated in a cash flow hedge relationship. The nature of the risks being hedged (interest rate risk) is the variability of the quarterly interest payments on the hedged loan, attributable to movements in the 3-month LIBOR rate. Gains and losses recognised in the hedging reserve in equity at 30 June 2011 will be continuously released to the statement of comprehensive income as the interest (finance costs) on the hedged loan is recognised in the statement of comprehensive income.

The maturity profile of gross contract amount for the US Dollar – loan A interest rate swap at 30 June 2011 is between 1 and 5 years.

Interest rate sensitivity

The Group is exposed mainly to fluctuations in the following market interest rates: US Dollar LIBOR, JIBAR, Brazilian prime rate, T-Bill, BBSY and the Stanbic reference rates. Changes in market interest rates affect the interest income and expense of floating rate financial instruments. Changes in market interest rates affect the statement of comprehensive income only in relation to financial instruments with fixed interest rates if these financial instruments are recognised at their fair value.

An increase of a 100 basis points in interest rates at 30 June would have decreased profit before tax by R62,3 million in 2011 and R16,9 million in 2010. A decrease of a 100 basis points will have an equal and opposite effect on profit before tax. Changes in market interest rates also affect equity (hedging reserve) through the impact of such changes on the fair values of the interest rate swaps designated in effective hedge relationships and the extent of the hedge effectiveness. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

An increase of 1% in the yield curve at 30 June 2011 would result in a decrease of R16,1 million (2010: R33,0 million) in the fair value of the derivative liability in the statement of comprehensive income. A decrease of 1% in the yield curve would result in an increase in the derivative liability of R16,1 million (2010: R33,0 million).

36.6 Liquidity risk

Liquidity risk is the risk that an entity in the Group will not be able to meet its obligations as they become due. The Group manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The Group finances its operations through a mixture of retained earnings, and short-term and long-term bank funding. Adequate banking facilities and reserve borrowing capacities are maintained. The Group has sufficient undrawn borrowing facilities, which could be utilised to settle obligations. Refer to note 18 for detail.

The Group manages liquidity risk through forecasting and monitoring cash flow requirements on a daily basis.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.6 Liquidity risk continued

The following are the undiscounted contractual maturities of financial assets and liabilities

	Undiscounted cash flows			
	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
June 2011				
Financial assets				
Other non-current financial receivables	–	1,8	12,9	14,7
Trade and other receivables (financial instruments only)	–	2 886,8	–	2 886,8
Cash and cash equivalents	1 991,2	1 048,0	–	3 039,2
Cash restricted for use	–	28,7	–	28,7
Total financial assets	1 991,2	3 965,3	12,9	5 969,4
Financial liabilities				
Preference shares – liability component	–	(381,3)	–	(381,3)
Secured loans	–	(1 806,7)	(756,6)	(2 563,3)
Unsecured loans	(2 112,5)	(283,9)	(4 054,3)	(6 450,7)
Finance lease and instalment credit liabilities	–	(6,4)	(8,1)	(14,5)
Bank overdrafts	(1 286,4)	–	–	(1 286,4)
Trade and other payables (financial instruments only)	–	(2 083,8)	–	(2 083,8)
Forward exchange contracts	–	(18,9)	–	(18,9)
Cash inflows	–	412,7	–	412,7
Cash outflows	–	(431,6)	–	(431,6)
Interest rate swaps	–	(18,3)	(28,4)	(46,7)
Total financial liabilities	(3 398,9)	(4 599,3)	(4 847,4)	(12 845,6)
Net exposure before financial guarantees	(1 407,7)	(634,0)	(4 834,5)	(6 876,2)
Non-derivative financial liabilities – financial guarantees	–	(4 149,2)	(1 638,5)	(5 787,7)
Net exposure after financial guarantees	(1 407,7)	(4 873,2)	(6 473,0)	(12 663,9)

**For the purpose of the above table foreign currency cash inflows/(outflows) were translated into Rand using the relevant forward rates.*

36. FINANCIAL RISK MANAGEMENT continued

36.6 Liquidity risk continued

	Undiscounted cash flows			
	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
June 2010				
Financial assets				
Other non-current financial receivables	–	5,4	39,1	44,5
Trade and other receivables (financial instruments only)	–	2 139,5	–	2 139,5
Cash and cash equivalents	1 513,5	1 426,3	–	2 939,8
Cash restricted for use	–	21,8	–	21,8
Total financial assets	1 513,5	3 593,0	39,1	5 145,6
Financial liabilities				
Preference shares – liability component	–	(27,1)	(404,0)	(431,1)
Secured loans	–	(1 209,0)	(2 152,7)	(3 361,7)
Unsecured loans	(1 446,3)	(53,7)	(262,9)	(1 762,9)
Finance lease and instalment credit liabilities	–	(11,2)	(4,0)	(15,2)
Bank overdrafts	(1 127,1)	–	–	(1 127,1)
Trade and other payables (financial instruments only)	–	(1 551,0)	–	(1 551,0)
Forward exchange contracts	–	(20,2)	–	(20,2)
Cash inflows	–	536,3	–	536,3
Cash outflows	–	(556,5)	–	(556,5)
Interest rate swaps	–	(41,4)	(81,6)	(123,0)
Total financial liabilities	(2 573,4)	(2 913,6)	(2 905,2)	(8 392,2)
Net exposure before financial guarantees	(1 059,9)	679,4	(2 866,1)	(3 246,6)
Non-derivative financial liabilities – financial guarantees	–	(914,0)	(1 960,9)	(2 874,9)
Net exposure after financial guarantees	(1 059,9)	(234,6)	(4 827,0)	(6 121,5)

**For the purpose of the above table foreign currency cash inflows/(outflows) were translated into Rand using the relevant forward rates.*

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Other disclosures continued

36. FINANCIAL RISK MANAGEMENT continued

36.7 Credit risk

Credit risk, or the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations, is managed by the application of credit approvals, limits and monitoring procedures. Counterparty credit limits are in place and are reviewed and approved by the respective subsidiary boards.

Credit risk primarily arises from trade and other receivables, other non-current financial receivables, derivative financial instruments, cash restricted for use and cash and cash equivalents. The Group's maximum exposure to credit risk is represented by the carrying amount of these financial assets, with the exception of financial guarantees granted by the Group for which the maximum exposure to credit risk is the maximum amount the Group would have to pay if the guarantees are called on.

Trade and other receivables

The Group has policies in place to ensure that sales of products are made to customers with a solid credit history. Ongoing credit evaluations on the financial condition of customers are performed and, where appropriate, credit guarantee insurance cover is purchased. Trade receivables consist primarily of a large, widespread customer base. The granting of credit is controlled by application and account limits. Trade and other receivables are carefully monitored for impairment. The only significant concentration of credit risk relates to an amount of R314,5 million (2010: R331,1 million) owing by the South African government. This balance constitutes 12,0% (2010: 17,2%) of the total gross trade receivables. There is no other single customer representing more than 10% of total gross trade receivables for the years ended 30 June 2011 and 2010.

The Group has made allowance for specific trade debtors which have clearly indicated financial difficulty and the likelihood of repayment has become impaired. More than 95% of the trade receivables balance relates to customers that have a long-standing insurable history with the Group and there has been no default on payments.

Impairment losses are recorded in the allowance account for losses until the Group is satisfied that no recovery of the amount owing is possible, at which point the amount is considered irrecoverable and is written off against the financial asset.

The risk profiles listed below reflect the different markets that the Group services. These markets have different payments patterns, risk profiles and insurance risks.

	2011 R'million	2010 R'million
Risk profile of gross trade receivables		
Private market debtors	**1 956,5**	1 029,9
State debtors	**359,2**	395,1
Export debtors	**138,2**	490,5
Other	**168,9**	8,6
	2 622,8	1 924,1

Cash and cash equivalents and derivative financial instruments

Treasury counterparties consist of a diversified group of prime financial institutions. Cash balances are placed and derivative financial instruments are entered into with different financial institutions to minimise risk. The Group does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings. All cash balances and derivative financial instruments are held with highly reputable banks.

Other financial assets

The recoverability of other non-current financial receivables is monitored as appropriate.

36. FINANCIAL RISK MANAGEMENT continued

36.8 Capital risk disclosures

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Group consists of borrowings, more specifically non-current and current borrowings and equity attributable to holders of the parent, comprising share capital, share premium, non-distributable reserves, preference shares and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews the capital structure on a quarterly basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations by the Board, the Group will balance overall capital structure through payments of dividends (including capital distributions and capitalisation shares), new shares issued as well as the issue of new borrowings or the redemption of existing borrowings.

There were no changes to the Group's approach to capital management during the year. The gearing ratio increased since the prior year from 24% to 34% due to the acquisition of the Sigma pharmaceutical business.

In terms of the Group's funding arrangements with its lenders, the Group was subject to the following financial covenants in the prior year

a) Group covenants

- The capacity to increase interest-bearing debt is restricted to three times Group earnings before interest, tax, depreciation and amortisation.
- Group net finance charges will be covered by Group earnings before interest, tax, depreciation and amortisation by at least three times.
- Total shareholders' equity will not be less than R3,5 billion.

b) Aspen Global covenants

- The capacity to increase interest-bearing debt is restricted to 4,5 times earnings before interest, tax, depreciation and amortisation.
- Aspen Global net finance charges will be covered by earnings before interest, tax, depreciation and amortisation by at least three times.
- On an annual basis, the cumulative debt service cover ratio will not be less than 1,4 times. Cumulative debt service cover ratio is defined as free cash flows plus opening cash divided by the aggregate payments of the capital plus interest.

At 30 June 2010, all the above covenants were complied with.

The Group has restructured its funding arrangements subsequent to year-end. As part of the restructure, the consortium of banks has agreed to waive the measurement of the abovementioned covenants at 30 June 2011.

Following the restructure, the existing US Dollar term loan as well as the new three-year US Dollar term loan (as per note 18) will be measured by the following covenants with the first measurement date being 30 June 2012

a) Group covenants

- The capacity to increase interest-bearing debt is restricted to three times Group earnings before interest, tax, depreciation and amortisation.

b) Aspen Global covenants

- The capacity to increase interest-bearing debt is restricted to 3,25 times Group earnings before interest, tax, depreciation and amortisation.
- On an annual basis, the cumulative debt service cover ratio will not be less than 1,4 times. Cumulative debt service cover ratio is defined as free cash flows plus opening cash divided by the aggregate payments of the capital plus interest.

The Group is entitled to make distributions to its shareholders provided that the lenders of the US Dollar term loan are satisfied, acting reasonably, that specified covenants will be met for a period of 12 months after such a distribution.

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for the year ended 30 June 2011

Other disclosures continued

37. ACQUISITIONS

37.1 Acquisition of the Sigma pharmaceutical business*

On 31 January 2011, the Group acquired 100% shareholding of the Sigma pharmaceutical business. The acquisition was funded from a combination of internal cash resources and external funding raised.

	2011 R'million
Cost of the acquisition	
Purchase consideration paid	6 055,6
Fair value of net assets acquired	(2 026,6)
Goodwill	4 029,0
Fair value of assets and liabilities acquired	
Property, plant and equipment	566,5
Intangible assets	1 036,4
Inventories	523,1
Trade and other receivables	340,5
Deferred tax liabilities	(74,6)
Trade and other payables	(365,3)
Fair value of net assets acquired	2 026,6
Goodwill acquired	4 029,0
Purchase consideration paid	6 055,6
Net gains from cash flow hedging in respect of the Sigma pharmaceutical business#	(169,0)
Cash consideration paid	5 886,6

**As the effective date of the acquisition was 31 January 2011, the initial accounting for this business combination has been reported on a provisional basis. The fair value of acquired assets and liabilities will only be finalised in the year ending 30 June 2012.*
#Refer to note 36.4 for more detail on the cash flow hedge in respect of the Sigma pharmaceutical business.

Goodwill

The following factors contributed to the recognition of goodwill
- the synergies identified from the consolidation of the Sigma pharmaceutical business with Aspen's existing Australian business; and
- the ability of Aspen's global procurement network and manufacturing know-how to achieve significant savings in cost of goods.

The total amount of goodwill recognised is not tax deductible.

Distinguishing the post-combination earnings of the Sigma pharmaceutical business from earnings of the combined entity is impracticable as significant estimates of amounts are required, which are not reasonably determinable, given that the operations of the Sigma pharmaceutical business have been integrated with those of the Aspen Australia operations.

37. ACQUISITIONS continued

37.2 Acquisition of AHN*

On 1 June 2011, the Group acquired 100% shareholding in AHN. The acquisition was funded from existing cash resources.

	2011 R'million
Cost of the acquisition	
Deferred consideration	43,6
Fair value of net assets acquired	(43,6)
Goodwill	–
Fair value of assets and liabilities acquired	
Property, plant and equipment	2,6
Intangible assets	27,3
Inventories	18,8
Trade and other receivables	18,0
Current tax assets	3,8
Cash and cash equivalents	22,3
Non-current borrowings	(12,0)
Deferred tax liabilities	(14,5)
Trade and other payables	(22,7)
Fair value of net assets acquired	43,6
Deferred consideration	(43,6)
Cash consideration paid	–

**As the effective date of the acquisition was 1 June 2011, the initial accounting for this business combination has been reported on a provisional basis. The fair value of the acquired assets and liabilities will only be finalised in the year ending 30 June 2012.*

37.3 Acquisition of Formule Naturelle (Pty) Ltd

On 1 July 2010, the Group acquired 100% shareholding in Formule Naturelle (Pty) Ltd. The acquisition was funded from existing cash resources.

	2011 R'million
Cost of the acquisition	
Cash consideration paid	35,0
Decrease in investment in associate	2,0
Fair value of net assets acquired	(37,0)
Goodwill	–
Fair value of assets and liabilities acquired	
Intangible assets	20,2
Inventories	3,6
Trade and other receivables	6,7
Current tax asset	0,2
Cash and cash equivalents	6,1
Deferred tax assets	2,3
Trade and other payables	(2,1)
Fair value of net assets acquired	37,0
Decrease in investment in associate	(2,0)
Cash consideration paid	35,0

Notes to the Group Annual Financial Statements continued

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Other disclosures continued

37. ACQUISITIONS continued

37.4 GSK transactions

The Group concluded a series of interdependent transactions with GSK in the prior year to promote its strategic objectives in South Africa, SSA and internationally. These transactions were accounted for as a business combination in terms of IFRS 3 revised.

The effective date of the transactions was 1 December 2009.

The acquisitions being

- the acquisition of the rights by Pharmacare Ltd to distribute GSK's pharmaceutical products in South Africa;
- the formation of a collaboration between Pharmacare Ltd and GSK in relation to the marketing and selling of prescription pharmaceuticals in SSA;
- the acquisition by Aspen Global of eight specialist branded products for worldwide distribution; and
- the acquisition of GSK's manufacturing facility in Bad Oldesloe, Germany.

The acquisitions were funded by the issue of 68,5 million Aspen shares to GSK at a value of R66,80 per share.

	2010 R'million
Cost of the acquisition	
Shares issued	4 575,8
Fair value of net assets acquired	(4 514,2)
Goodwill	61,6
Fair value of assets and liabilities acquired	
Property, plant and equipment	402,9
Intangible assets	4 054,9
Deferred tax asset	7,4
Inventories	234,8
Cash and cash equivalents	33,4
Deferred revenue	(171,6)
Retirement benefit obligations	(3,1)
Trade and other payables	(44,5)
Fair value of net assets acquired	4 514,2
Goodwill acquired	61,6
Purchase consideration	4 575,8
Shares issued to GSK	(4 575,8)
Cash consideration paid	–

The initial accounting for the business combination was reported on a provisional basis in 2010 and was finalised in the current year.

Goodwill

The goodwill arising on the transaction was allocated to Pharmacare Ltd as this was where the Group expected to realise synergistic benefits from the transactions. These synergies included cost savings, building Pharmacare Ltd's ethical brand credibility with specialists and optimising process efficiencies. The total amount of goodwill recognised was not tax deductible.

38. RELATED PARTY TRANSACTIONS

Transactions with shareholders

The Group did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the directors' report and note 26.

Intra-Group transactions and balances

During the year, certain companies in the Group entered into arm's-length transactions with other companies in the Group. These intra-Group transactions have been eliminated on consolidation. Refer to note 24 of the Company Annual Financial Statements for a detailed list of subsidiaries and joint ventures and their balances. None of the balances are secured.

Transactions and balances with directors

All directors have given general declarations of interest in terms of section 75 of the Companies Act. These declarations indicate that various members of the Board hold various other directorships in South African entities with whom transactions are conducted by the Group in terms of a customer/supplier relationship. These transactions have been concluded on terms and conditions that are no more favourable than those entered into with third parties in arm's-length transactions, and are all unsecured.

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner of Chris Mortimer & Associates which provides legal services to the Group. During the year, total legal fees expensed in the statement of comprehensive income was R1,8 million (2010: R3,3 million). The balance outstanding at year-end is R0,1 million (2010: R0,4 million).

Directors' and prescribed officers' remuneration is disclosed in note 26.

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for the year ended 30 June 2011

Other disclosures continued

38. RELATED PARTY TRANSACTIONS continued

	2011 R'million	2010 R'million
Transactions with key management personnel		
Key management personnel consists of directors of key Group companies, excluding joint ventures.		
The key management personnel compensation consists of:		
Short-term employee benefits	**64,4**	38,8
Post-employment benefits	**4,0**	1,6
Share-based payment expense and gains on shares exercised	**13,4**	1,7
Total key management remuneration paid	**81,8**	42,1
Number of employees included above	**25**	32
Other than disclosed above, and in the directors' report, no significant related party transactions were entered into during the year under review.		

39. IMPAIRMENT TESTS FOR GOODWILL AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS

The disclosure provided below is required by IAS 36 *Impairment of Assets* for each cash-generating unit for which the carrying value of goodwill or intangible assets with indefinite useful lives allocated to that unit is significant in comparison with the Group's total carrying value of goodwill or intangible assets with indefinite useful lives.

The Group tests goodwill and indefinite useful life intangible assets annually for impairment, or more frequently if there are any indications that the goodwill or the indefinite useful life intangible assets might be impaired.

The recoverable amount of cash-generating units is determined as the higher of value-in-use and fair value less costs to sell. Goodwill and intangible assets with indefinite useful lives were tested for impairment by comparing the recoverable amount based on value-in-use of the cash-generating unit to the carrying value.

Value-in-use

Key assumptions relating to this valuation include the discount rate and cash flows used to determine the value-in-use. Future cash flows are estimated based on the most recent budgets and forecasts approved by management covering periods between 9 and 18 years and are extrapolated over the useful life of the asset to reflect the long-term plans for the Group using the estimated growth rate for the specific business or product. The estimated future cash flows and discount rates used are post-tax based on assessment of the current risks applicable to the specific entity and country in which it operates. Discounting post-tax cash flows at a post-tax discount rate yields the same result as the discounting pre-tax cash flows at a pre-tax discount rate.

Management determines the expected performance of the assets based on the following

– an assessment of existing products against past performance and market conditions;

– an assessment of existing products against existing market conditions; and

– the pipeline of products under development, applying past experiences of launch success and existing market conditions.

The growth rate used to extrapolate cash flow projections beyond the period covered by the budgets and forecasts take into account the long-term average rates of the industry in which the cash-generating unit is operating. Estimations are based on a number of key assumptions, such as volume, price and product mix, which will create a basis for future growth and gross margin. These assumptions are set in relation to historic figures and external reports on market growth. If necessary, these cash flows are then adjusted to take into account any changes in assumptions or operating conditions that have been identified subsequent to the preparation of the budgets.

The weighted average cost of capital rate is derived from a pricing model based on credit risk and the cost of the debt. The variables used in the model are established on the basis of management judgement and current market conditions. Management judgement is also applied in estimating the future cash flows of the cash-generating units. These values are sensitive to the cash flows projected for the periods for which detailed forecasts are not available and to the assumptions regarding the long-term sustainability of the cash flows thereafter.

39. IMPAIRMENT TESTS FOR GOODWILL AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS continued

	2011 R'million	2010 R'million
Goodwill		
The carrying value of goodwill can be split as follows		
FCC	**188,2**	188,2
Shelys	**134,0**	134,0
Tanzanian business	**68,4**	68,4
Kenyan business	**65,6**	65,6
GSK transactions – Allocated to the South African region	**61,6**	61,6
Sigma pharmaceutical business – Allocated to Asia Pacific region*	**4 169,9**	–
Other	**72,9**	72,3
	4 626,6	456,1

**This amount has been tested for impairment as part of the at acquisition calculations. Refer to note 37 for detail on the acquisition.*

Key assumptions on the impairment test for significant goodwill balances were as follows

Assumption	FCC	Tanzanian business	Kenyan business	GSK transactions
Carrying value of goodwill	188,2	68,4	65,6	61,6
Period covered by forecasts and budgets	9 years	10 years	10 years	18 years
Growth in turnover (% per annum)	Ranging between 2% and 21%	Ranging between 4% and 16%	Ranging between 4% and 26%	Ranging between 1% and 12%
Gross profit (% per annum)	Varying between 24% and 29%	Varying between 37% and 42%	Varying between 48% and 50%	Varying between 60% and 71%
Annual capital expenditure (R'million per annum)	Ranging between R25 million and R100 million	Ranging between R2,6 million and R5,2 million	Ranging between R1,4 million and R3,6 million	–
Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts (% per annum)	5%	5%	5%	–
Annual pre-tax discount rate applied to cash flows (% per annum)	20%	22%	26%	17%

The periods covered by forecasts and budgets exceeded five years for both the Tanzanian and Kenyan businesses to better reflect the expected introduction schedule and growth for new products into the East African market over the medium term. A 9-year period has been used for FCC to better reflect the impact of new products expected to be introduced in the medium term.

The GSK transactions have been forecasted over an 18-year period as this is the period remaining in the initial term of the agreement to which this goodwill relates.

Based on the calculations no impairment was needed for any amount of goodwill.

Notes to the Group Annual Financial Statements continued

for the year ended 30 June 2011

Other disclosures continued

39. IMPAIRMENT TESTS FOR GOODWILL AND INDEFINITE USEFUL LIFE INTANGIBLE ASSETS continued

	2011 R'million	2010 R'million
Intangible assets with indefinite useful lives		
The carrying value of indefinite useful life intangible assets can be split as follows		
ELIZ products#	**2 295,6**	2 592,3
Specialist global brands^	**1 674,5**	2 016,7
Other	**729,7**	724,5
	4 699,8	5 333,5

Detail on impairment tests for significant indefinite useful life intangible assets were as follows

Assumption	**ELIZ products#**	**Specialist global brands^**
Carrying value of intangible assets	2 295,6	1 674,5
Period covered by forecasts and budgets	10 years	10 years
Growth in turnover (% per annum)	Ranging between (5%) and 3%	Ranging between (1%) and 3%
Gross profit (% per annum)	Average of 64%	Average of 58%
Growth rate used to extrapolate cash flows beyond period covered by abovementioned budgets and forecasts (% per annum)	(5%)	(5%)
Annual pre-tax discount rate applied to cash flows (% per annum)	12%	12%

Management has used a forecast period greater than five years to better reflect the impact of a gradual slowing in growth over the medium term.

Based on the calculations no impairment was needed for these indefinite useful life intangible assets.

#*Eltroxin, Lanoxin, Imuran and Zyloric.*
^*Alkeran, Leukeran, Purinethol, Kemadrin, Lanvis, Myleran, Septrin and Trandate.*

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Company statement of financial position

at 30 June 2011

	Notes	2011 R'million	2010 R'million
ASSETS			
Non-current assets			
Property, plant and equipment	1	**4,0**	4,2
Intangible assets	2	**186,8**	217,0
Investments in subsidiaries	3	**12 013,2**	9 468,7
Other non-current financial receivables	4	**7,2**	1,7
Deferred tax assets	5	**47,3**	29,4
Total non-current assets		**12 258,5**	9 721,0
Current assets			
Receivables and prepayments	6	**8,5**	5,5
Current tax assets		**21,7**	–
Amounts due by Group companies	3	**106,6**	113,4
Cash and cash equivalents	7	**87,0**	902,1
Total operating current assets		**223,8**	1 021,0
Assets classified as held-for-sale	8	**10,2**	–
Total current assets		**234,0**	1 021,0
Total assets		**12 492,5**	10 742,0
SHAREHOLDERS' EQUITY			
Share capital and share premium	9	**5 341,0**	5 439,9
Hedging reserve		**146,5**	146,5
Share-based compensation reserve		**32,9**	42,7
Retained income		**5 420,2**	4 079,4
Ordinary shareholders' equity		**10 940,6**	9 708,5
Preference shares – equity component	10	**162,0**	162,0
Total shareholders' equity		**11 102,6**	9 870,5
LIABILITIES			
Non-current liabilities			
Preference shares – liability component	10	**381,3**	386,6
Total non-current liabilities		**381,3**	386,6
Current liabilities			
Other payables	11	**131,3**	148,2
Borrowings	12	**500,7**	4,5
Current tax liabilities		**–**	22,5
Amounts due to Group companies	3	**376,6**	309,7
Total current liabilities		**1 008,6**	484,9
Total liabilities		**1 389,9**	871,5
Total equity and liabilities		**12 492,5**	10 742,0

Company statement of comprehensive income

for the year ended 30 June 2011

	Notes	2011 R'million	2010 R'million
Revenue	13	**159,2**	157,3
Administrative expenses		**(107,7)**	(86,9)
Other operating income		**72,1**	168,9
Other operating expenses		**(40,4)**	(73,1)
Operating profit	14	**83,2**	166,2
Investment income	17	**1 438,2**	118,6
Financing costs	18	**(231,8)**	(22,8)
Profit before tax		**1 289,6**	262,0
Tax	19	**8,0**	(48,6)
Profit for the year		**1 297,6**	213,4

There are no other comprehensive income adjustments, therefore profit for the year equals total comprehensive income.

Company statement of changes in equity

for the year ended 30 June 2011

	Share capital R'million	Share premium R'million	Hedging reserve R'million	Share-based compen-sation reserve R'million	Retained income R'million	Preference shares – equity component R'million	Total R'million
BALANCE AT 1 JULY 2009	50,2	649,7	146,5	53,4	3 857,3	162,0	4 919,1
Profit for the year	–	–	–	–	213,4	–	213,4
Issue of ordinary share capital	9,9	4 730,2	–	–	–	–	4 740,1
Shares issued – share schemes	0,3	164,0	–	–	–	–	164,3
Shares issued – GSK transactions	9,6	4 566,2	–	–	–	–	4 575,8
Treasury shares cancelled	(0,1)	–	–	–	(42,5)	–	(42,6)
Share options and appreciation rights expensed (including deferred incentive bonus)	–	–	–	25,4	–	–	25,4
Transfer from share-based compensation reserve	–	–	–	(36,1)	36,1	–	–
Equity portion of tax claims in respect of share schemes	–	–	–	–	15,1	–	15,1
BALANCE AT 30 JUNE 2010	**60,0**	**5 379,9**	**146,5**	**42,7**	**4 079,4**	**162,0**	**9 870,5**
Profit for the year	**–**	**–**	**–**	**–**	**1 297,6**	**–**	**1 297,6**
Issue of ordinary share capital – share schemes	**0,3**	**203,7**	**–**	**–**	**–**	**–**	**204,0**
Capital distribution	**–**	**(302,9)**	**–**	**–**	**–**	**–**	**(302,9)**
Share options and appreciation rights expensed (including deferred incentive bonus)	**–**	**–**	**–**	**26,3**	**–**	**–**	**26,3**
Transfer from share-based compensation reserve	**–**	**–**	**–**	**(36,1)**	**36,1**	**–**	**–**
Equity portion of tax claims in respect of share schemes	**–**	**–**	**–**	**–**	**7,1**	**–**	**7,1**
BALANCE AT 30 JUNE 2011	**60,3**	**5 280,7**	**146,5**	**32,9**	**5 420,2**	**162,0**	**11 102,6**

Company statement of cash flows

for the year ended 30 June 2011

	Notes	2011 R'million	2010 R'million
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	A	73,7	218,4
Financing costs paid	B	(236,4)	(28,4)
Investment income received	C	33,0	48,1
Dividends received from subsidiaries		1 405,2	70,5
Tax paid	D	(46,8)	(55,0)
Cash generated from operating activities		1 228,6	253,6
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure – property, plant and equipment		(0,7)	(2,7)
Replacement		(0,2)	(1,8)
Expansion		(0,5)	(0,9)
Expansion capital expenditure – intangible assets		(0,1)	(27,0)
Proceeds on disposal of intangible assets		18,7	–
(Increase)/decrease in other non-current financial receivables		(5,4)	1,6
Increase in investments in subsidiaries		(2 526,5)	(4 842,7)
Movement in amounts due by Group companies		6,8	(10,5)
Cash used in investing activities		(2 507,2)	(4 881,3)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from borrowings		496,7	–
Proceeds from issue of ordinary share capital		204,0	4 739,1
Treasury shares cancelled		–	(0,1)
Capital distribution		(302,9)	–
Movement in amounts due to Group companies		66,9	(27,9)
Cash generated from financing activities		464,7	4 711,1
CASH AND CASH EQUIVALENTS			
Movement in cash and cash equivalents		(813,9)	83,4
Cash and cash equivalents at the beginning of the year	E	897,6	814,2
Cash and cash equivalents at the end of the year		83,7	897,6

Notes to the Company statement of cash flows

for the year ended 30 June 2011

		2011 R'million	2010 R'million
A.	**CASH GENERATED FROM OPERATIONS**		
	Operating profit	**83,2**	166,2
	Amortisation of intangible assets	**14,8**	27,3
	Depreciation of property, plant and equipment	**0,9**	0,6
	Impairment charges	**2,6**	14,9
	Profit on sale of intangible assets	**(16,0)**	–
	Share-based payment expense – employees	**9,0**	7,7
	Treasury shares cancelled	**–**	(42,5)
	Other non-cash items	**(0,1)**	(1,8)
	Cash operating profit	**94,4**	172,4
	Working capital movements	**(20,7)**	46,0
	(Increase)/decrease in receivables and prepayments	**(3,0)**	18,1
	(Decrease)/increase in other payables	**(17,7)**	27,9
		73,7	218,4
B.	**FINANCING COSTS PAID**		
	Interest paid	**(30,8)**	(0,1)
	Preference shares dividends paid – liability component	**(26,3)**	(27,9)
	Net foreign exchange losses	**(179,3)**	(0,4)
		(236,4)	(28,4)
C.	**INVESTMENT INCOME RECEIVED**		
	Interest received	**33,0**	48,1
D.	**TAX PAID**		
	Amounts owing at the beginning of the year	**(22,5)**	(29,2)
	Tax charge to the statement of comprehensive income (excluding deferred tax)	**(2,6)**	(50,2)
	Tax claims credited to equity in respect of share schemes	**–**	1,9
	Amounts (receivable)/owing at the end of the year	**(21,7)**	22,5
		(46,8)	(55,0)
E.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents per the statement of financial position	**87,0**	902,1
	Less: Bank overdrafts	**(3,3)**	(4,5)
	Cash and cash equivalents per the statement of cash flows	**83,7**	897,6

Notes to the Company Annual Financial Statements

for the year ended 30 June 2011

1. PROPERTY, PLANT AND EQUIPMENT

	Buildings (Leased)* R'million	Plant and equipment (owned) R'million	Computer equipment (owned) R'million	Office equipment and furniture (owned) R'million	Total R' million
2011					
Carrying value					
Cost	**1,4**	**0,3**	**4,5**	**2,5**	**8,7**
Accumulated depreciation	**(0,7)**	**(0,1)**	**(2,8)**	**(1,1)**	**(4,7)**
Carrying value at the end of the year	**0,7**	**0,2**	**1,7**	**1,4**	**4,0**
Movement in property, plant and equipment					
Carrying value at the beginning of the year	**0,7**	**0,2**	**2,0**	**1,3**	**4,2**
Additions – expansion	**0,2**	**–**	**–**	**0,3**	**0,5**
Additions – replacement	**–**	**–**	**0,2**	**–**	**0,2**
Depreciation	**(0,2)**	**–**	**(0,5)**	**(0,2)**	**(0,9)**
Carrying value at the end of the year	**0,7**	**0,2**	**1,7**	**1,4**	**4,0**
2010					
Carrying value					
Cost	1,2	0,3	4,3	2,2	8,0
Accumulated depreciation	(0,5)	(0,1)	(2,3)	(0,9)	(3,8)
Carrying value at the end of the year	0,7	0,2	2,0	1,3	4,2
Movement in property, plant and equipment					
Carrying value at the beginning of the year	0,4	0,2	0,5	1,0	2,1
Additions – expansion	0,5	–	–	0,4	0,9
Additions – replacement	–	–	1,7	0,1	1,8
Depreciation	(0,2)	–	(0,2)	(0,2)	(0,6)
Carrying value at the end of the year	0,7	0,2	2,0	1,3	4,2
2009					
Carrying value					
Cost	0,7	0,3	2,6	1,7	5,3
Accumulated depreciation	(0,3)	(0,1)	(2,1)	(0,7)	(3,2)
Carrying value at the end of the year	0,4	0,2	0,5	1,0	2,1

**All these amounts comprise of leasehold improvements on leased buildings.*

Security
No item of property, plant and equipment was pledged or commited as security for any debt.

Capital commitments
Capital commitments include all projects for which specific Board approval have been obtained up to the reporting date. The Company had no capital commitments at year-end, for which specific Board approvals were obtained.

Funding
Future capital expenditure will be financed from funds generated out of normal business operations and existing borrowing facilities.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

2. INTANGIBLE ASSETS

	Intellectual property R'million	Product participation and other contractual rights R'million	Computer software R'million	Total R'million
2011				
Carrying value				
Cost	**902,1**	**57,8**	**1,6**	**961,5**
Accumulated amortisation	**(702,9)**	**(57,8)**	**(0,7)**	**(761,4)**
Accumulated impairment losses	**(13,3)**	**–**	**–**	**(13,3)**
Carrying value at the end of the year	**185,9**	**–**	**0,9**	**186,8**
Movement in intangible assets				
Carrying value at the beginning of the year	**215,9**	**–**	**1,1**	**217,0**
Additions – expansion	**0,1**	**–**	**–**	**0,1**
Disposals	**(2,7)**	**–**	**–**	**(2,7)**
Amortisation	**(14,6)**	**–**	**(0,2)**	**(14,8)**
Impairment	**(2,6)**	**–**	**–**	**(2,6)**
Reclassification to assets held-for-sale	**(10,2)**	**–**	**–**	**(10,2)**
Carrying value at the the end of the year	**185,9**	**–**	**0,9**	**186,8**
2010				
Carrying value				
Cost	932,6	57,8	1,6	992,0
Accumulated amortisation	(694,2)	(57,8)	(0,5)	(752,5)
Accumulated impairment losses	(22,5)	–	–	(22,5)
Carrying value at the end of the year	215,9	–	1,1	217,0
Movement in intangible assets				
Carrying value at the beginning of the year	215,4	8,1	1,3	224,8
Additions – expansion	26,8	–	0,2	27,0
Amortisation	(18,8)	(8,1)	(0,4)	(27,3)
Impairment	(7,5)	–	–	(7,5)
Carrying value at the the end of the year	215,9	–	1,1	217,0
2009				
Carrying value				
Cost	905,8	57,8	1,4	965,0
Accumulated amortisation	(675,4)	(49,7)	(0,1)	(725,2)
Accumulated impairment losses	(15,0)	–	–	(15,0)
Carrying value at the end of the year	215,4	8,1	1,3	224,8

All intangible assets were acquired from third parties.

2. INTANGIBLE ASSETS continued

	2011 R'million	2010 R'million
Indefinite useful life intangible assets		
An indefinite useful life intangible asset, is an intangible asset where there is no foreseeable limit to the period over which the intangible asset is expected to generate inflows for the Company.		
Carrying value of indefinite useful life intangible assets (included in intellectual property)	**137,0**	141,2

Intellectual property which is classified as an indefinite useful life intangible asset, will reflect a historical actual trend and a projected future trend of continuing positive contribution in the market in which it is sold or applied, where such asset forms part of the historical intangible asset base. Where such intangible asset constitutes a new acquisition, a projected trend of future positive growth must be demonstrated with reference to factors such as:

- high barriers to market entry for competitors;
- a low probability for accelerated growth in the competitor base in the foreseeable future;
- management's commitment to continue to invest in the intangible asset's base;
- low probability of a significant change in the operating and regulatory environment which would negatively impact future supply of the intangible asset; and
- its estimated indefinite lifecycle and hence future growth prospects for the intangible asset.

3. INVESTMENTS IN SUBSIDIARIES

	2011 R'million	2010 R'million
Reflected as non-current assets		
Investments at cost less accumulated impairment losses	**12 013,2**	9 468,7
Reflected as current assets		
Amounts due by Group companies	**106,6**	113,4
Reflected as current liabilities		
Amounts due to Group companies	**(376,6)**	(309,7)
Net investments in subsidiaries	**11 743,2**	9 272,4

For further details of interests in subsidiaries please refer to page 268.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

	2011 R'million	2010 R'million
4. OTHER NON-CURRENT FINANCIAL RECEIVABLES		
Avid Brands SA (Pty) Ltd	**2,3**	3,2
Amka Products (Pty) Ltd	**12,2**	–
Current portion included in other receivables	**(7,3)**	(1,5)
	7,2	1,7
Avid Brands SA (Pty) Ltd		
An agreement was entered into with Avid Brands SA (Pty) Ltd, in terms of which the Company disposed of certain intellectual property. The repayment profile is set out below		
year ended 30 June 2011	**–**	1,5
year ending 30 June 2012	**2,3**	1,7
	2,3	3,2
The outstanding loan on the disposal of the intellectual property bears interest at the South African prime overdraft rate minus 1%.		
The additional intellectual property disposed in the current year was pledged as security by Avid Brands SA (Pty) Ltd.		
Amka Products (Pty) Ltd		
An agreement was entered into with Amka Products (Pty) Ltd, in terms of which the Company disposed of certain intellectual property. The repayment profile is set out below		
year ending 30 June 2012	**5,0**	–
year ending 30 June 2013	**5,0**	–
year ending 30 June 2014	**2,2**	–
	12,2	–

The outstanding loan on the disposal of the intellectual property bears interest at the South African prime overdraft rate less 1%.

Amka Products (Pty) Ltd agreed to pledge the purchased intellectual property to secure their indebtedness. The Company holds no other collateral over the other non-current financial receivables.

Other disclosures

Management considers the credit risk associated with these financial receivables to be low as there has been no default on these payments.

Other non-current financial receivables are denominated in Rand.

	2011 R'million	2010 R'million
5. DEFERRED TAX		
Deferred tax is calculated in full on temporary differences under the liability method using a principal tax rate of 28%.		
Deferred tax balance		
Deferred tax assets – opening balance	**(29,4)**	(12,9)
Prior year adjustment – statement of comprehensive income charge	**(0,6)**	–
Statement of comprehensive income charge	**(10,2)**	(3,4)
Charged to equity	**(7,1)**	(13,1)
Balance at the end of the year	**(47,3)**	(29,4)
The statement of comprehensive income charge comprises		
Property, plant and equipment	**0,1**	–
Intangible assets	**(0,1)**	(3,1)
Leave pay	**–**	(0,3)
Royalties received in advance	**–**	(0,6)
Preference shares issued	**1,4**	1,6
Tax claims in respect of share schemes	**(0,7)**	(1,2)
Tax losses	**(8,5)**	–
Other	**(3,0)**	0,2
	(10,8)	(3,4)
Deferred tax asset comprises		
Property, plant and equipment	**0,3**	0,2
Intangible assets	**33,7**	33,8
Leave pay	**(0,9)**	(0,9)
Royalties received in advance	**(22,3)**	(22,3)
Preference shares issued	**(1,3)**	(2,7)
Tax claims in respect of share schemes	**(41,6)**	(37,4)
Tax losses	**(12,1)**	–
Other	**(3,1)**	(0,1)
Balance at the end of the year	**(47,3)**	(29,4)

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

		2011 R'million	2010 R'million
6.	**RECEIVABLES AND PREPAYMENTS**		
	Financial instruments		
	Current portion of other non-current financial receivables	**7,3**	1,5
	Interest accrued	**0,1**	3,2
	Other	**0,2**	0,5
	Total financial instruments	**7,6**	5,2
	Non-financial instruments		
	Total non-financial instruments – prepayments	**0,9**	0,3
	Total receivables and prepayments	**8,5**	5,5
	All receivables and prepayments (financial instruments only) are classified as fully performing. The credit quality of receivables and prepayments is considered to be satisfactory. All receivables and prepayments are non-interest-bearing, except the current portion of other non-current financial receivables that bears interest at a floating rate of the South African prime overdraft rate less 1%. Refer to note 4 for detail. The Company holds no collateral over receivables and prepayments, except as disclosed in note 4. No amounts were pledged as security for liabilities.		
	Currency analysis of receivables and prepayments (financial instruments only)		
	Rand	**7,6**	2,9
	US Dollar	**–**	2,3
		7,6	5,2
7.	**CASH AND CASH EQUIVALENTS**		
	Bank balances	**87,0**	902,1
	The average effective interest rate on bank balances was 5,5% (2010: 4,7%). The maturity profile of the bank balances is less than one month. All cash and cash equivalents are denominated in Rand. Cash and cash equivalents are placed with high quality financial institutions.		
8.	**ASSETS CLASSIFIED AS HELD-FOR-SALE**		
	Personal care products	**10,2**	–

The sale of the South African toothpaste business to the Unilever group was concluded in September 2011. The total balance relates to intangible assets.

	2011 R'million	2010 R'million
9. SHARE CAPITAL AND SHARE PREMIUM		
Authorised		
700 000 000 (2010: 700 000 000) ordinary shares with a par value of 13,90607 cents each	**97,3**	97,3
Issued		
433 882 738 (2010: 431 610 738) ordinary shares with a par value of 13,90607 cents each	**60,3**	60,0
Share premium	**5 280,7**	5 379,9
	5 341,0	5 439,9

	2011 Million	2010 Million
Shares in issue at the beginning of the year	**431,6**	361,3
Shares issued – Share schemes	**2,3**	2,5
Shares issued – GSK transactions	**–**	68,5
Shares issued – Workers' Share Plan*	**–**	–
Treasury shares cancelled	**–**	(0,7)
Shares in issue at the end of the year	**433,9**	431,6

**In the current year no shares were issued (2010: 15 782 shares).*

The unissued shares have been placed under the control of the directors until the forthcoming annual general meeting.

All shares are fully paid up, and no amounts are outstanding in terms of shares issued during the year.

Reconciliation of share premium for Companies Act purposes

	2011	2010
Share premium under IFRS	**5 280,7**	5 379,9
Intangibles assets reinstated#	**19,3**	19,3
Ordinary shares issued in terms of BBBEE transaction – amount expensed	**(99,2)**	(99,2)
Share premium for the purposes of the Companies Act	**5 200,8**	5 300,0

#High court approval received for the revocation of former special resolutions relating to the write-off of intangible assets against share premium.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

	2011 R'million	2010 R'million
10. PREFERENCE SHARE CAPITAL		
Authorised		
17 600 000 (2010: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each	**2,4**	2,4
20 000 000 (2010: 20 000 000) non-redeemable, non-participating variable rate B preference shares with a par value of 13,90607 cents each	**2,8**	2,8
Issued		
17 600 000 (2010: 17 600 000) cumulative, variable rate A preference shares with a par value of 13,90607 cents each, issued at R21,41 during June 2005	**2,4**	2,4
Share premium	**374,4**	374,4
	376,8	376,8

Rights attached to the A preference shares

Dividend rights

Preference share dividends are calculated at the South African prime overdraft rate of interest as charged by First National Bank, a division of FirstRand Bank Ltd from time-to-time multiplied by one minus the corporate tax rate for the relevant dividend period. Dividends are payable on 10 June of each year.

The preference shares dividends rate was 6,5% at year-end (2010: 7,2%).

Voting rights

Each Aspen preference share has one vote and accordingly ranks *pari passu* in regard to votes with the issued Aspen ordinary shares.

Redemption/conversion rights

Preference shareholders have the right to require the redemption or conversion of the Aspen preference shares into Aspen ordinary shares on a one-for-one basis on the seventh anniversary after the issue of the Aspen preference shares, being June 2012. Redemption will take place at R21,41.

The conditions or rights of the preference shares are available for inspection at the Company's registered office.

Accounting

For accounting purposes the preference shares have been split into an equity and a liability component. Refer to the accounting policy on page 157 for detail.

	2011 R'million	2010 R'million
Preference shares – equity component (per the statement of changes in equity)	**162,0**	162,0
Deferred tax effect	**(8,7)**	(8,7)
Net equity component	**153,3**	153,3
Preference shares – liability component (per the statement of financial position)	**381,3**	386,6
Amount expensed in 2005	**(183,2)**	(183,2)
Cumulative notional interest on liability component	**25,4**	20,1
Opening balance	**20,1**	14,5
Current year	**5,3**	5,6
	376,8	376,8

The fair value of the liability component of the preference shares is R381,5 million (2010: R386,8 million). The liability component is exposed to fair value interest rate risk.

The effective interest rate of the liability component is 9,0% (2010: 10,0%).

	2011 R'million	2010 R'million
11. OTHER PAYABLES		
Financial instruments		
Accrued expenses	**13,5**	7,7
Preference shares dividends payable	**1,3**	29,5
Audit fees	**3,7**	–
Other	**0,9**	0,6
Total financial instruments	**19,4**	37,8
Non-financial instruments		
Indirect taxes	**12,2**	11,7
Leave pay	**3,4**	3,2
Bonuses	**15,2**	12,4
Royalties received in advance	**79,6**	79,6
Other	**1,5**	3,5
Total non-financial instruments	**111,9**	110,4
Total other payables	**131,3**	148,2

All other payables (financial instruments only) are not past their due dates, are non-interest-bearing and are all denominated in Rand.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

	2011 R'million	2010 R'million
12. BORROWINGS		
Current borrowings		
Bank overdrafts	3,3	4,5
Unsecured loans	497,4	–
	500,7	4,5

Interest rate profile of total borrowings

	2011			2010		
	Total R'million	Interest rate %	Average effective interest rate %	Total R'million	Interest rate %	Average effective interest rate %
Bank overdrafts – Linked to South African prime overdraft rate	3,3	Less 1%	8,7	4,5	Less 1%	9,1
Unsecured loans – Linked to 1-month JIBAR	500,0	+ Margin of 1,1%	6,6	–	–	–
Capital raising fees	(2,6)	–	–	–	–	–
	500,7			4,5		

All borrowings are denominated in Rand and are exposed to interest rate risk.

No security has been given for these amounts.

		2011 R'million	2010 R'million
13.	**REVENUE**		
	Other revenue		
	Royalties	**159,2**	157,3
14.	**OPERATING PROFIT**		
	Operating profit has been arrived at after crediting		
	Profit on sale of intangible assets	**16,0**	–
	Waiver of intra-group loans	**–**	120,8
	– Twincor Investments (Pty) Ltd	**–**	1,4
	– Krok Brothers Holdings (Pty) Ltd	**–**	47,7
	– Pharmacare Ltd	**–**	72,5*
	– Aspen Pharmacare South Africa (Pty) Ltd	**–**	(0,8)
	After charging		
	Auditors' remuneration	**4,8**	4,1
	– Audit fees	**4,7**	3,9
	Current year	**4,2**	5,3
	Prior year under/(over) provision	**0,5**	(1,4)
	Other services – accounting consulting	**0,1**	–
	– commercial paper regulations	**–**	0,1
	Impairment charges	**2,6**	14,9
	Impairment of intangible assets (included in other operating expenses)	**2,6**	7,5
	Write-down of investment in Krok Brothers Holdings (Pty) Ltd	**–**	2,2
	Write-down of investment in Twincor Investments (Pty) Ltd	**–**	5,2
	Repairs and maintenance expenditure on property, plant and equipment	**1,2**	0,2
	Operating lease rentals – Land and buildings	**2,0**	2,0

**This loan was owed by Twincor Investments (Pty) Ltd to Pharmacare Ltd. The balance was ceded from Pharmacare Ltd to the Company.*

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

		2011 R'million	2010 R'million
15.	**EXPENSES BY NATURE**		
	Depreciation of property, plant and equipment	**0,9**	0,7
	Amortisation of intangible assets	**14,8**	27,3
	Impairment charges	**2,6**	14,9
	Repairs and maintenance expenditure on property, plant and equipment	**1,2**	0,2
	Personnel costs and other staff related costs	**58,2**	49,1
	Share trust contributions	**23,0**	14,0
	Share-based payment expense – employees	**9,0**	7,7
	Property costs	**2,4**	2,4
	Other	**36,0**	43,7
		148,1	160,0
	Classified as		
	Administrative expenses	**107,7**	86,9
	Other operating expenses	**40,4**	73,1
		148,1	160,0
16.	**DIRECTORS AND EMPLOYEES**		
	Staff costs		
	Wages and salaries	**51,3**	41,4
	Provident fund contributions – defined contribution plans	**5,3**	4,2
	Medical aid contributions	**1,5**	0,6
	Share-based payment expense – options and appreciation rights	**3,6**	5,4
	Share-based payment expense – deferred incentive bonus	**5,4**	2,3
	Other company contributions	**–**	0,5
		67,1	54,4

The total amount of staff costs is included in administrative expenses on the statement of comprehensive income.

The total number of full-time employees at year-end was 63 (2010: 47).

Refer to note 26 in the Group Annual Financial Statements for directors' emoluments paid by the Company.

	2011 R'million	2010 R'million
17. INVESTMENT INCOME		
Dividends received from subsidiaries	**1 405,2**	70,5
Interest received	**33,0**	48,1
Interest on bank balances	**28,1**	44,9
Interest from subsidiaries	**2,3**	2,4
Other	**2,6**	0,8
	1 438,2	118,6
18. FINANCING COSTS		
Interest paid	**(30,8)**	(0,1)
Preference shares dividends paid – liability component	**(26,3)**	(27,9)
Capital raising fees	**(0,7)**	–
Net foreign exchange losses	**(179,3)**	(0,4)
Notional interest income on financial instruments	**5,3**	5,6
	(231,8)	(22,8)
19. TAX		
Current tax – current year	**–**	47,4
– prior year	**0,1**	–
Deferred tax – current year	**(10,2)**	(3,4)
– prior year	**(0,6)**	–
Secondary tax on companies and other dividend taxes	**2,5**	2,8
Withholding tax	**0,2**	1,8
	(8,0)	48,6
Reconciliation of the tax rate	**%**	%
Effective tax rate	**(0,6)**	18,5
Capital and exempt income	**31,0**	7,5
Disallowable expenses	**(2,0)**	(8,3)
Non-deductible portion of share-based payment expense – employees	**(0,2)**	(0,8)
Non-deductible amortisation of intangible assets	**–**	(0,4)
Impairment of intangible assets	**(0,1)**	(0,7)
Other disallowable expenses	**(1,7)**	(6,4)
Waiver of intra-group loans	**–**	12,9
Secondary tax on companies and other dividend taxes	**(0,2)**	(1,1)
Write-down of investments in subsidiaries	**–**	(0,8)
Withholding tax	**–**	(0,7)
Capital gains tax – assessed loss	**(0,2)**	–
Tax at the statutory rate	**28,0**	28,0

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

20. RELATED PARTY TRANSACTIONS

Transactions with shareholders

The Company did not enter into any transactions with direct beneficial shareholders during the current year, except as described in the Directors' Report and note 26 of the Group's Annual Financial Statements.

Intra-Group transactions and balances

During the year, the Company entered into arm's length transactions with other companies in the Group. Refer to note 24 for a detailed list of subsidiaries, joint ventures and trusts and their balances. None of the balances are secured.

The following intra-group transactions took place between Aspen Pharmacare Holdings Ltd and Group companies during the current year

	2011 R'million	2010 R'million
Royalties received in advance – Pharmacare Ltd	**181,5**	157,3
Administration fees received	**37,3**	27,9
Aspen Bad Oldesloe	**0,1**	–
Aspen Europe GmbH	**0,8**	–
Aspen Dubai	**0,9**	–
Aspen Mexico	**1,7**	–
Aspen Australia	**0,8**	–
Aspen Brazil	**1,8**	–
Beta	**–**	0,8
FCC	**0,8**	0,6
Pharmacare Ltd	**29,7**	24,4
Shelys	**0,7**	2,1
Guarantee fees received – Aspen Global	**12,7**	18,5
Interest received on shareholders' loans	**2,3**	2,4
Beta	**0,4**	0,4
Shelys	**1,9**	2,0
Dividends received (and paid to the Company)	**1 405,2**	70,5
Aspen Global	**23,9**	–
Aspen Pharmacare International Ltd	**0,6**	5,5
Brimpharm SA (Pty) Ltd	**1,7**	0,8
FCC	**–**	20,0
Pharmacare Ltd	**1 379,0**	42,6
SAD Overseas Ltd	**–**	1,6

	2011 R'million	2010 R'million
20. RELATED PARTY TRANSACTIONS continued		
Expenses paid by the Company on behalf of Group companies	**47,6**	18,7
Aspen Bad Oldesloe	**0,5**	0,1
Aspen Global	**5,6**	–
Aspen Dubai	**0,1**	0,4
Aspen Mexico	**0,2**	0,1
Aspen Australia	**0,8**	–
Aspen Brazil	**9,6**	–
Beta	**0,1**	–
FCC	**3,4**	–
Pharmacare Ltd	**27,1**	18,1
Shelys	**0,2**	–
Expenses paid by Group companies on behalf of the Company	**(76,3)**	(56,5)
Aspen Bad Oldesloe	**(0,2)**	–
Aspen Global	**(6,4)**	–
Brimpharm SA (Pty) Ltd	**–**	(2,1)
Pharmacare Ltd	**(69,4)**	(54,4)
Shelys	**(0,3)**	–
Repayments of outstanding amounts to the Company	**(294,9)**	(110,4)
Aspen Bad Oldesloe	**(0,5)**	–
Aspen Global	**(27,4)**	(17,4)
Aspen Dubai	**(0,4)**	–
Aspen Australia	**(0,8)**	–
Aspen Brazil	**(6,3)**	–
Beta	**(7,0)**	(0,7)
FCC	**(4,1)**	(0,6)
Pharmacare Ltd	**(241,3)**	(88,6)
Shelys	**(7,1)**	(3,1)

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

	2011 R'million	2010 R'million
20. RELATED PARTY TRANSACTIONS continued		
Waiver of loans to Group companies as part of deregistration process	–	48,3
Aspen Pharmacare South Africa (Pty) Ltd	–	(0,8)
Krok Brothers Holdings (Pty) Ltd	–	47,7
Twincor Investments (Pty) Ltd	–	1,4
Shareholders' loans bearing interest at 3-months LIBOR plus a margin of 3%	67,3	73,6
Beta	11,7	12,8
Shelys	55,6	60,8
Other movements	(8,9)	(81,8)
Aspen Share Incentive Scheme (deferred incentive bonus contributions)	7,0	5,7
Aspen USA Inc.	3,4	–
Brimpharm Australia Pty Ltd	1,6	2,4
Brimpharm SA (Pty) Ltd	2,1	–
Pharmacare Ltd*	–	(72,5)
Share trust contributions made by the Company to the share trusts	(23,0)	(14,0)

**This loan was owed by Twincor Investments (Pty) Ltd to Pharmacare Ltd. The balance was ceded from Pharmacare Ltd to the Company.*

Transactions and balances with directors

All directors have given general declarations of interest in terms of section 75 of the Companies Act.

These declarations indicate that various members of the Board hold various other directorships in South African entities with whom transactions are conducted by the Company in terms of a customer/supplier relationship.

These transactions have been concluded on terms and conditions that are no more favourable than those entered into with third parties in arm's length transactions, and are all unsecured.

Chris Mortimer, a non-executive director of Aspen, is a full-time practising attorney and managing partner at Chris Mortimer & Associates which provides legal services to the Company. During the year total legal fees expensed in the statement of comprehensive income was R0,2 million (2010: R0,9 million) and no balance was outstanding at year-end (2010: R0,4 million).

Transactions with key management personnel

Key management personnel consist of directors (including executive directors)

Key management personnel compensation consists of:

	2011 R'million	2010 R'million
Short-term employee benefits	16,5	15,4
Post-employment benefits	1,1	1,0
Gains on shares exercised	4,7	–
Total key management remuneration paid	22,3	16,4
Number of employees included above	11	11

Other than disclosed above, and in the Directors' report, no significant related party transactions were entered into during the year under review.

	2011 R'million	2010 R'million
21. COMMITMENTS		
Operating lease commitments		
Land and buildings	**6,7**	7,8
The future minimum operating lease payments are as follows		
Less than 1 year	**2,1**	1,8
Between 1 and 5 years	**4,6**	6,0
	6,7	7,8
The lease for the Durban head office has a remaining term of three years with a five-year renewal option. The lease is subject to an annual escalation of 9%.		
22. CONTINGENT LIABILITIES		
The Company had no material contingent liabilities at 30 June 2011.		

23. FINANCIAL RISK MANAGEMENT

23.1 Introduction

The Company is exposed to liquidity, credit, foreign currency and interest rate risk arising from its financial instruments. The Audit Commitee has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company.

Financial risk management is carried out by the Group Treasury Management Department, using guidance provided by the Audit Committee. A formal treasury policy, approved by the Audit Committee, setting out the role and responsibility of the Group Treasury Management Department and the management of risk is adhered to. A significant part of administration of foreign exchange risk management is outsourced. The Group Treasury Management Department identifies, evaluates and hedges financial risks.

The Audit Committee provides principles for overall risk management, as well as policies covering specific areas, such as foreign currency risk, interest rate risk, credit risk, use of derivative financial instruments and investing excess liquidity.

Risk management and measurement relating to each of these risks is discussed under the headings below.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

23. FINANCIAL RISK MANAGEMENT continued

23.2 Financial instruments by category

The carrying value of financial instruments by category is as follows

	Loans and receivables R'million	At amortised cost R'million	Total R'million
June 2011			
Financial assets			
Other non-current financial receivables	7,2	–	7,2
Receivables and prepayments (financial instruments only)	7,6	–	7,6
Cash and cash equivalents	87,0	–	87,0
Total financial assets	101,8	–	101,8
Financial liabilities			
Preference shares – liability component	–	381,3	381,3
Unsecured loans	–	497,4	497,4
Bank overdrafts	–	3,3	3,3
Other payables (financial instruments only)	–	19,4	19,4
Total financial liabilities	–	901,4	901,4

	Loans and receivables R'million	At amortised cost R'million	Total R'million
June 2010			
Financial assets			
Other non-current financial receivables	1,7	–	1,7
Receivables and prepayments (financial instruments only)	5,2	–	5,2
Cash and cash equivalents	902,1	–	902,1
Total financial assets	909,0	–	909,0
Financial liabilities			
Preference shares – liability component	–	386,6	386,6
Bank overdrafts	–	4,5	4,5
Other payables (financial instruments only)	–	37,8	37,8
Total financial liabilities	–	428,9	428,9

23. FINANCIAL RISK MANAGEMENT continued

23.3 Foreign currency risk

The Company's operations utilise one foreign currency (currency other than functional currency of the Company), being the US Dollar, in respect of amounts due by Group companies and consequently the Company is exposed to exchange rate fluctuations that have an impact on cash flows.

Foreign currency risk is managed through the Company's financing policies and selective use of forward exchange contracts.

Exposure to currency risk

The Company has used a sensitivity analysis technique that measures the estimated change to the statement of comprehensive income of an instantaneous 10% strengthening or weakening in the Rand against the US Dollar, from the rate applicable at 30 June, for each class of financial instrument with all other variables remaining constant. This analysis is for illustrative purposes only, as in practice, market rates rarely change in isolation.

At 30 June, if the Rand had strengthened or weakened by 10% against the US Dollar, with all other variables held constant, the profit before tax for the year would have increased or decreased by R7,8 million (2010: R10,0 million), mainly as a result of foreign exchange gains/losses on translation of US Dollar denominated amounts due by Group companies.

The analysis has been performed on the basis of the change occurring at the start of the reporting period and assumes that all other variables, in particular interest rates, remain constant and was performed on the same basis for 2010.

23.4 Interest rate risk

The Company's interest rate risk arises from interest on bank overdrafts, borrowings, shareholders' loans, cash and cash equivalents and other financial receivables. Exposure to interest rate risk is not hedged, but is monitored on a continuous and proactive basis.

Interest rate sensitivity

The Company is exposed mainly to fluctuations in the following market interest rates: South African prime overdraft rate, LIBOR and JIBAR. Changes in market interest rates affect the interest income and expense of floating rate financial instruments.

An increase of a 100 basis points in interest rates at 30 June would have decreased profit before tax by R3,4 million in 2011 and R9,7 million in 2010. A decrease of a 100 basis points will have an equal and opposite effect on profit before tax.

23.5 Liquidity risk

Liquidity risk is the risk that an entity will not be able to meet its obligations as they become due. The Company manages liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The Company finances its operations through a mixture of retained earnings, short-term bank funding and financing from Group companies. Adequate banking facilities and reserve borrowing capacities are maintained.

The Company manages liquidity risk through forecasting and monitoring cash flow requirements on a daily basis.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

23. FINANCIAL RISK MANAGEMENT continued

23.5 Liquidity risk continued

The following are the undiscounted contractual maturities of financial assets and liabilities

	Undiscounted cash flows			
	On demand R'million	< 1 year R'million	1 – 5 years R'million	Total R'million
June 2011				
Financial assets				
Other non-current financial receivables	–	–	7,9	7,9
Receivables and prepayments (financial instruments only)	–	7,6	–	7,6
Cash and cash equivalents	87,0	–	–	87,0
Amounts due by Group companies	106,6	–	–	106,6
Total financial assets	193,6	7,6	7,9	209,1
Financial liabilities				
Preference shares – liability component	–	(381,3)	–	(381,3)
Bank overdrafts	(3,3)	–	–	(3,3)
Unsecured loans	–	(497,4)	–	(497,4)
Other payables (financial instruments only)	–	(19,4)	–	(19,4)
Amounts due to Group companies	(376,6)	–	–	(376,6)
Total financial liabilities	(379,9)	(898,1)	–	(1 278,0)
Net exposure before financial guarantees	(186,3)	(890,5)	7,9	(1 068,9)
Non-derivative financial liablities – financial guarantees	–	(4 149,2)	(1 638,5)	(5 787,7)
Net exposure after financial guarantees	(186,3)	(5 039,7)	(1 630,6)	(6 856,6)

23. FINANCIAL RISK MANAGEMENT continued

23.5 Liquidity risk continued

		Undiscounted cash flows		
	On demand	< 1 year	1 – 5 years	Total
June 2010				
Financial assets				
Other non-current financial receivables	–	–	1,7	1,7
Receivables and prepayments (financial instruments only)	–	5,2	–	5,2
Cash and cash equivalents	902,1	–	–	902,1
Amounts due by Group companies	39,8	73,6	–	113,4
Total financial assets	941,9	78,8	1,7	1 022,4
Financial liabilities				
Preference shares – liability component	–	(27,1)	(404,0)	(431,1)
Bank overdrafts	(4,5)	–	–	(4,5)
Other payables (financial instruments only)	–	(37,8)	–	(37,8)
Amounts due to Group companies	(309,7)	–	–	(309,7)
Total financial liabilities	(314,2)	(64,9)	(404,0)	(783,1)
Net exposure before financial guarantees	627,7	13,9	(402,3)	239,3
Non-derivative financial liablities – financial guarantees	–	(914,0)	(1 960,9)	(2 874,9)
Net exposure after financial guarantees	627,7	(900,1)	(2 363,2)	(2 635,6)

23.6 Credit risk

Credit risk, or the risk of financial loss due to counterparties to financial instruments not meeting their contractual obligations.

Credit risk primarily arises from receivables and prepayments, other non-current financial receivables and cash and cash equivalents. The Company's maximum exposure to credit risk is represented by the carrying values of these financial assets.

Receivables and prepayments

Receivables and prepayments are carefully monitored for impairment.

Cash and cash equivalents

Treasury counterparties consist of prime financial institutions. The Company does not expect any treasury counterparties to fail to meet their obligations, given their high credit ratings. All bank balances are held with highly reputable banks.

Other non-current financial receivables

The recoverability of other non-current financial receivables are monitored as appropriate.

23.7 Capital risk disclosures

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide sustainable returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the Company consists of borrowings, more specifically current borrowings and equity attributable to holders of the parent, comprising share capital, share premium, preference shares and retained income.

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain future development of the business. The Board reviews the capital structure on a quarterly basis. As part of the review, the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Company will balance overall capital structure through payments of dividends (including capital distributions and capitalisation shares), new shares issued as well as the issue of new borrowings or the redemption of existing borrowings.

There were no changes to the Company's approach to capital management during the year.

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

24. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Country of incorporation	Company
Subsidiaries	
Direct	
South Africa	African Health Networks (Pty) Ltd
Germany	Aspen Bad Oldesloe GmbH
Mauritius	Aspen Global Incorporated
South Africa	Aspen Pharmacare International (Pty) Ltd
United States	Aspen USA Incorporated
Australia	Brimpharm Australia Pty Ltd
South Africa	Brimpharm SA (Pty) Ltd
United Kingdom	Brimpharm UK Ltd
South Africa	Fine Chemicals Corporation (Pty) Ltd
South Africa	Formule Naturelle (Pty) Ltd^
South Africa	Pharmacare Ltd
Jersey, CI	SAD Overseas Ltd
Kenya	Shelys Africa Ltd
Indirect	
Brazil	Agila Especialidades Farmacêuticas Ltda
Australia	Arrow Pharmaceuticals Pty Ltd*
Hong Kong	Aspen Asia Company Ltd
Australia	Aspen Asia Pacific Pty Ltd*
Germany	Aspen Europe GmbH
United Arab Emirates	Aspen Health Care FZ LLC
Mexico	Aspen Labs S.A. de C.V.
South Africa	Aspen Nutritionals (Pty) Ltd
Australia	Aspen Pharma Pty Ltd (formerly Sigma Pharmaceuticals Pty Ltd)*
Australia	Aspen Pharmacare Australia Pty Ltd
Brazil	Aspen Pharma – Indústria Farmacêutica Ltda

 # Less than 1 000.
** These companies were all acquired as part of the Sigma pharmaceutical business. Refer to note 37 for detail of the acquisition.*
^ During the year the Company acquired a 80% shareholding in Formule Naturelle (Pty) Ltd with an effective date of 1 July 2010.

Currency	Issued capital '000	Effective Group holding 2011 %	Effective Group holding 2010 %	Investment 2011 R'million	Investment 2010 R'million	Amounts (due to)/due by Group companies 2011 R'million	Amounts (due to)/due by Group companies 2010 R' million
ZAR	20	**100**	–	**–**	–	**–**	–
EUR	50	**100**	100	**685,1**	685,1	**–**	–
USD	1 008 881	**100**	100	**8 644,7**	6 150,6	**8,5**	27,4
ZAR	–#	**100**	100	**25,4**	25,4	**(29,1)**	(29,1)
USD	1 270	**100**	100	**8,1**	8,1	**–**	(3,4)
AUD	–#	**50**	50	**–**	–	**5,8**	4,2
ZAR	4	**50**	50	**40,5**	40,5	**–**	(2,1)
GBP	–#	**50**	50	**–**	–	**–**	–
ZAR	–#	**100**	100	**329,5**	329,2	**0,1**	–
ZAR	–#	**100**	20	**35,0**	–	**–**	–
ZAR	1 395	**100**	100	**2 003,6**	1 988,5	**(320,4)**	(248,0)
GBP	19	**100**	100	**–**	–	**–**	–
KES	196 198	**60**	60	**231,5**	231,5	**–**	–
BRL	10	**100**	100	**–**	–	**–**	–
AUD	–#	**100**	–	**–**	–	**–**	–
HKD	77	**100**	100	**–**	–	**–**	–
AUD	685 000	**100**	–	**–**	–	**–**	–
EUR	13	**100**	100	**–**	–	**0,9**	0,1
USD	82	**100**	100	**–**	–	**1,0**	0,4
MXN	49 284	**100**	100	**–**	–	**1,0**	0,1
ZAR	1	**100**	100	**–**	–	**–**	–
AUD	450	**100**	–	**–**	–	**–**	–
AUD	17 373	**100**	100	**–**	–	**0,8**	–
BRL	214 537	**100**	100	**–**	–	**5,1**	–

Notes to the Company Annual Financial Statements continued

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24. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES continued

Country of incorporation	Company
Indirect continued	
Ireland	Aspen Pharma Trading Ltd
South Africa	Aspen Port Elizabeth (Pty) Ltd
South Africa	Aspen SVP (Pty) Ltd
Venezuela	Aspen Venezuela C.A.
Kenya	Beta Healthcare International Ltd
Kenya	Beta Healthcare (Kenya) Ltd
Uganda	Beta Healthcare (Uganda) Ltd
Australia	Chemists' Own Pty Ltd*
Mauritius	Dismedical International Ltd
Brazil	Dismedica Distribuidora De Produtos Hospitalares E Farmacêutica Ltda
Australia	Fawns & McAllan Pty Ltd*
Australia	Herron Pharmaceuticals Pty Ltd*
Australia	Orphan Australia Pty Ltd*
Australia	Orphan Holdings Pty Ltd*
Cyprus	PharmaLatina Holdings Ltd
Australia	QP Pharmaceuticals Pty Ltd*
Tanzania	Shelys Pharmaceuticals Ltd
Mauritius	Shelys Pharmaceuticals International Ltd
Australia	Aspen (Hong Kong) Pty Ltd*
Mexico	Solara, S.A. de C.V.
Australia	Stephen Hunter (Pharmaceuticals Exports) Pty Ltd*
Uruguay	Strides Latina S.A.

 # Less than 1 000.
** These companies were all acquired as part of the Sigma pharmaceutical business. Refer to note 37 for detail of the acquisition.*

Currency	Issued capital '000	Effective Group holding 2011 %	Effective Group holding 2010 %	Investment 2011 R'million	Investment 2010 R'million	Amounts (due to)/due by Group companies 2011 R'million	Amounts (due to)/due by Group companies 2010 R' million
EUR	–#	**100**	–	**–**	–	**–**	–
ZAR	400	**100**	100	**9,8**	9,8	**(27,1)**	(27,1)
ZAR	–#	**100**	100	**–**	–	**–**	–
VEF	3 718	**80**	80	**–**	–	**–**	–
KES	30 000	**60**	60	**–**	–	**11,7**	12,8
KES	20 000	**60**	60	**–**	–	**–**	–
UGX	40 000	**60**	60	**–**	–	**–**	–
AUD	–#	**100**	–	**–**	–	**–**	–
EUR	10 000	**100**	100	**–**	–	**–**	–
BRL	–#	**100**	100	**–**	–	**–**	–
AUD	102	**100**	–	**–**	–	**–**	–
AUD	2	**100**	–	**–**	–	**–**	–
AUD	328	**100**	–	**–**	–	**–**	–
AUD	10 979	**100**	–	**–**	–	**–**	–
USD	25 969	**100**	100	**–**	–	**–**	–
AUD	–#	**100**	–	**–**	–	**–**	–
TZS	6 723 843	**60**	60	**–**	–	**2,5**	1,9
USD	–#	**60**	60	**–**	–	**55,6**	60,8
HKD	–#	**100**	–	**–**	–	**–**	–
MXN	93 124	**100**	100	**–**	–	**0,9**	–
AUD	–#	**100**	–	**–**	–	**–**	–
USD	6 118	**100**	100	**–**	–	**–**	–

Notes to the Company Annual Financial Statements continued

for the year ended 30 June 2011

24. PRINCIPAL SUBSIDIARIES AND JOINT VENTURES continued

Country of incorporation	Company
Trusts (special-purpose entities)**	
South Africa	Aspen Share Appreciation Plan
South Africa	Aspen Share Incentive Scheme
Total investments in subsidiaries	
	Joint ventures
Indirect	
Cyprus	Onco Laboratories Ltd†
Total investments in joint ventures	
Total investments in subsidiaries and joint ventures	

*** These trusts are special-purpose entities which are consolidated into the Group Annual Financial Statements.*

† Onco Laboratories was classified as held-for-sale in June 2010 as the conditions precedent relating to the sale had not been fulfilled on 30 June 2010. These conditions were met in February 2011 and this transaction is now complete.

The Company maintains a register of all subsidiaries and incorporated joint ventures, available for inspection at the registered office of Aspen Pharmacare Holdings Ltd.

Definitions

AUD: Australian Dollar
BRL: Brazilian Real
EUR: Euro
GBP: Pound Sterling
HKD: Hong Kong Dollar
KES: Kenyan Shilling
MXN: Mexican Peso
TZS: Tanzanian Shilling
UGX: Ugandan Shilling
USD: US Dollar
VEF: Venezuela Bolivares Fuertes
ZAR: Rand

Currency	Issued capital '000	Effective Group holding 2011 %	Effective Group holding 2010 %	Investment 2011 R'million	Investment 2010 R'million	Amounts (due to)/due by Group companies 2011 R'million	Amounts (due to)/due by Group companies 2010 R' million
ZAR	N/A	**100**	100	**–**	–	**–**	–
ZAR	N/A	**100**	100	**–**	–	**12,7**	5,7
				12 013,2	9 468,7	**(270,0)**	(196,3)
USD	–	**–**	50	**–**	–	**–**	–
				–	–	**–**	–
				12 013,2	9 468,7	**(270,0)**	(196,3)

Normalised headline earnings reconciliation (unaudited) – annexure 1

The calculation of normalised headline earnings per share is based on the normalised profit attributable to equity holders of the parent, divided by the weighted average number of ordinary shares in issue during the year. The presentation of normalised headline earnings is not an IFRS requirement.

		Continuing operations	
	Growth %	**2011 R'million**	Restated 2010 R'million
Normalised headline earnings per share			
Reconciliation of normalised headline earnings			
Headline earnings		**2 211,7**	1 816,3
Adjusted for			
Restructuring costs (net of tax)		**23,1**	–
Transaction costs (net of tax)		**121,7**	15,6
Normalised headline earnings		**2 356,5**	1 831,9
Weighted average number of shares in issue ('000)*		**432 914**	401 987
Normalised headline earnings per share (cents)	19	**544,3**	455,7
Normalised diluted headline earnings per share			
Normalised diluted headline earnings per share is calculated on the same basis used for calculating diluted earnings per share, other than normalised headline earnings being the numerator.			
Normalised headline earnings		**2 356,5**	1 831,9
Adjusted for			
Preference shares dividends paid		**26,3**	27,9
Notional interest – liability component of preference shares		**(5,3)**	5,6
Adjusted normalised headline earnings		**2 377,5**	1 865,4
Weighted average number of shares for diluted headline earnings per share ('000)		**454 360**	426 163
Adjustments for share options and share appreciation rights ('000)		**3 846**	6 576
Total number of convertible preference shares ('000)		**17 600**	17 600
Weighted average number of shares in issue ('000)*		**432 914**	401 987
Diluted normalised headline earnings per share (cents)	20	**523,3**	437,7

** After deduction of weighted treasury shares.*

Discontinued operations		Total	
2011 R'million	Restated 2010 R'million	**2011 R'million**	2010 R'million
40,6	124,9	**2 252,3**	1 941,2
3,7	–	**26,8**	–
–	–	**121,7**	15,6
44,3	124,9	**2 400,8**	1 956,8
432 914	401 987	**432 914**	401 987
10,2	31,1	**554,5**	486,8
44,3	124,9	**2 400,8**	1 956,8
–	–	**26,3**	27,9
–	–	**(5,3)**	5,6
44,3	124,9	**2 421,8**	1 990,3
454 360	426 163	**454 360**	426 163
3 846	6 576	**3 846**	6 576
17 600	17 600	**17 600**	17 600
432 914	401 987	**432 914**	401 987
9,7	29,3	**533,0**	467,0

Currency conversion (unaudited) – annexure 2

CURRENCY OF FINANCIAL STATEMENTS

The Annual Financial Statements are expressed in Rand.

The closing exchange rates at 30 June were as follows

	2011	2010
US Dollar	6,78	7,66
Pound Sterling	10,87	11,48
Euro	9,83	9,42
Australian Dollar	7,26	6,42
Brazilian Real	4,34	4,25
Mexican Peso	0,58	0,60

SELECTED GROUP FINANCIAL DATA TRANSLATED INTO US DOLLAR

Statement of comprehensive income and statement of cash flows information were translated at an average rate of R6,97 (2010: R7,60).

The statement of financial position information was translated at a closing rate of R6,78 (2010: R7,66).

	% Growth	2011 USD'million	Restated 2010 USD'million
STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011			
CONTINUING OPERATIONS			
Revenue	40	1 777,8	1 265,8
Cost of sales		(971,9)	(676,7)
Gross profit	37	805,9	589,1
Net operating expenses		(333,3)	(243,6)
Operating profit before amortisation	37	472,6	345,5
Amortisation of intangible assets		(20,5)	(13,4)
Operating profit	36	(452,1)	332,1
Investment income		27,7	24,7
Financing costs		(86,9)	(72,8)
Operating profit after investment income and financing costs		392,9	284,0
Share of after-tax net losses of associates		–	(0,2)
Profit before tax	38	392,9	283,8
Tax		(83,5)	(60,3)
Profit after tax from continuing operations	38	309,4	223,5
DISCONTINUED OPERATIONS			
Profit after tax for the year from discontinued operations		62,3	36,8
Profit for the year	43	371,7	260,3
OTHER COMPREHENSIVE INCOME			
Other comprehensive income, net of tax		10,5	(3,8)
Total comprehensive income		382,2	256,5
Profit for the year attributable to			
Equity holders of the parent		370,1	261,8
Non-controlling interests		1,6	(1,5)
		371,7	260,3
Total comprehensive income attributable to			
Equity holders of the parent		381,2	259,1
Non-controlling interests		1,0	(2,6)
		382,2	256,5

	% Growth	2011 USD'million	2010 USD'million
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2011			
ASSETS			
Non-current assets			
Property, plant and equipment		**538,6**	393,5
Intangible assets		**1 315,1**	1 184,1
Other non-current financial assets		**716,1**	13,1
Total non-current assets	62	**2 569,8**	1 590,7
Current assets			
Inventories		**387,6**	266,6
Trade and other receivables		**481,4**	308,2
Cash and cash equivalents		**448,3**	384,0
Cash restricted for use		**4,2**	2,9
Total operating current assets	37	**1 321,5**	961,7
Assets classifed as held-for-sale		**61,1**	34,0
Total current assets		**1 382,6**	995,7
Total assets	53	**3 952,4**	2 586,4
SHAREHOLDERS' EQUITY			
Ordinary shareholders' equity	38	**1 927,5**	1 393,4
Preference shares – equity component		**23,9**	21,2
Non-controlling interests		**8,4**	7,4
Total shareholders' equity	38	**1 959,8**	1 422,0
LIABILITIES			
Non-current liabilities			
Preference shares – liability component		**56,2**	50,5
Borrowings		**626,7**	295,2
Other non-current financial liabilities		**96,3**	22,8
Deferred tax liabilities		**2,8**	34,4
Total non-current liabilities	94	**782,0**	402,9
Current liabilities			
Trade and other payables		**417,5**	250,0
Borrowings		**757,8**	486,0
Other current financial liabilities		**30,7**	25,5
Total operating current liabilities	58	**1 206,0**	761,5
Liabilities associated with assets held-for-sale		**4,6**	–
Total current liabilities		**1 210,6**	761,5
Total liabilities	71	**1 992,6**	1 164,4
Total equity and liabilities	53	**3 952,4**	2 586,4
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2011			
Cash generated from operating activities	31	**351,1**	267,5
Cash used in investing activities		**(810,5)**	(134,3)
Cash generated from/(used in) financing activities		**466,2**	(65,6)
Translation effects on cash and cash equivalents of foreign operations		**13,1**	1,0
Movement in cash and cash equivalents		**20,0**	68,6
Cash and cash equivalents at the beginning of the year		**238,5**	169,9
Cash and cash equivalents at the end of the year		**258,5**	238,5

Share statistics (unaudited) – annexure 3

ANALYSIS OF SHAREHOLDERS AT 30 JUNE 2011

Ordinary shares	Number of shareholders	% of total shareholders	Number of shares	% of total shareholding
Size of holding				
1 – 2 500	15 245	78,9	11 316 324	2,6
2 501 – 12 500	3 102	16,0	16 370 596	3,8
12 501 – 25 000	398	2,1	7 028 822	1,6
25 001 – 50 000	223	1,1	7 925 302	1,8
50 001 and over	364	1,9	391 241 874	90,2
	19 332	100,0	433 882 918	100,0

Major shareholders

Fund managers

According to the register of shareholders at 30 June 2011, the following are the only registered fund managers who held in excess of 2% of the shareholding of the Company at that date.

Fund manager	Number of shares	% of total shareholding
Public Investment Corporation	43 352 735	10,0
Fidelity Investments	13 445 447	3,1
Coronation Fund Managers	11 536 053	2,7
Foord Asset Management	11 342 947	2,6
	79 677 182	18,4

Beneficial shareholders

According to the register of shareholders at 30 June 2011, the following are the only registered beneficial shareholders, other than directors of the Company, who held in excess of 2% of the shareholding of the Company at that date. The directors' shareholdings are disclosed on page 85 of the Remuneration Report.

Shareholder	Number of shares	% of total shareholding
Glaxo Group Ltd	81 703 136	18,8
Government Employees Pension Fund	48 961 554	11,3
Imithi Investments (Pty) Ltd	13 400 000	3,1
Fidelity Funds Sicav	13 353 947	3,1
	157 418 637	36,3

Shareholders' spread

In terms of paragraph 4.29(e) of the JSE Listings Requirements, the spread of the ordinary shareholding at close of business 30 June 2011 was as follows

	Number of shareholders	Number of shares	% of total shareholding
Non-public shareholders	12	89 889 567	20,7
Directors (including directors of subsidiary companies)		74 415 342	17,1
Empowerment groups – CEPPWAWU Investments (Pty) Ltd		2 074 225	0,5
– Imithi Investments (Pty) Ltd		13 400 000	3,1
Public shareholders	19 320	343 993 351	79,3
Total shareholding		433 882 918	100,0
Foreign shareholding		199 586 142	46,0

Included in the total issued shares above, are 412 133 treasury shares.

Notice of annual general meeting

ASPEN PHARMACARE HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number 1985/002935/06
("Company")
JSE share code APN
ISIN code ZAE 000066692

A. NOTICE OF MEETING

Notice is hereby given that the 13th annual general meeting ("Meeting") of the shareholders of the Company will be held at Building Number 1, Healthcare Park, Woodlands Drive, Woodmead, Johannesburg, Gauteng, on Thursday, 1 December 2011 at 09:30.

B. ATTENDANCE AND PARTICIPATION AT THE MEETING

General

The date on which a person must be registered as a shareholder in the register of the Company for purposes of being entitled to attend and vote at the Meeting is Friday, 25 November 2011 ("record date"). Accordingly, the last day to trade in order to be eligible to vote at the Meeting will be Friday, 18 November 2011.

Certificated shareholders and dematerialised shareholders with "own-name registration"

If you hold certificated shares or hold dematerialised shares with "own-name registration" (ie specifically instructed your Central Securities Depository Participant ("CSDP") to hold your shares in your own name on the Company's sub-register):

- you may attend the Meeting in person; or
- you may appoint a proxy to participate in, and speak and vote at, the Meeting on your behalf by completing the attached proxy form and delivering it to the Company's transfer secretaries before 09:30 on Wednesday, 30 November 2011.

A proxy need not be a shareholder of the Company.

Dematerialised shareholders other than those with "own-name registration"

If you hold dematerialised shares other than with "own-name registration":

- you may instruct your CSDP or broker to vote at the Meeting on your behalf by providing your CSDP or broker with your voting instructions in terms of the custody agreement entered into between you and your CSDP or broker. You must not complete the attached form of proxy; or
- you may attend the Meeting in person by instructing your CSDP or broker to issue you with the necessary letter of representation to attend the Meeting in terms of the custody agreement entered into between you and your CSDP or broker.

Identification

In terms of section 63(1) of the Act, all Meeting participants will be required to provide identification reasonably satisfactory to the Chairman of the Meeting.

Electronic participation

Shareholders or their proxies may participate in (but not vote at) the Meeting by way of telephone conference call and if they wish to do so:

- must contact the Company Secretary (by email at the address shapiroh@aspenpharma.com) by no later than Monday, 21 November 2011 in order to obtain a pin number and dial-in details for that conference call;
- will be required to provide reasonably satisfactory identification; and
- will be billed separately by their own telephone service providers for their telephone call to participate in the Meeting.

Shareholders and their proxies will not be able to vote telephonically at the Meeting and will still need to appoint a proxy to vote on their behalf at the Meeting.

C. PURPOSE OF THE MEETING

The purpose of the Meeting is to:

- present the audited Annual Financial Statements of the Company and the Group for the year ended 30 June 2011 (including the directors' report and the Audit Committee report) which is contained in the annual report;
- deal with such business as may lawfully be dealt with at the Meeting; and
- consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Act.

ORDINARY BUSINESS

ORDINARY RESOLUTION NUMBER 1 – *presentation and adoption of Annual Financial Statements*

Resolution

To receive and adopt the Annual Financial Statements, the directors' report and the Audit Committee report of the Company and the Group for the year ended 30 June 2011.

Explanation

In order for this ordinary resolution to be adopted, the support of a majority of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

The Annual Financial Statements are included in the annual report of which this notice forms part. A copy of the annual report may be obtained from the registered office of the Company or the Company's website: www.aspenpharma.com.

ORDINARY RESOLUTION NUMBER 2 – *re-election of directors*

Resolution

To re-elect the following directors, who are retiring by rotation in terms of the Articles of Association of the Company, all of whom are eligible and offer themselves for re-election:

- Roy Andersen;
- Sindi Zilwa; and
- Chris Mortimer.

Explanation

Abbreviated biographical details of the directors are set out on pages 64 and 65 of the annual report.

Notice of annual general meeting continued

Each of the ordinary resolutions above will be considered by way of a separate vote and in order for each ordinary resolution to be adopted. The support of a majority of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

ORDINARY RESOLUTION NUMBER 3 – *re-appointment of independent external auditors*

Resolution

To re-appoint the auditors, PricewaterhouseCoopers Inc, as the independent registered auditors of the Company and the Group, upon the recommendation of the current Audit Committee, and to note that Eric MacKeown will be the audit partner who will undertake the audit for the financial year ending 30 June 2012.

Explanation

In order for this ordinary resolution to be adopted, the support of a majority of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

ORDINARY RESOLUTION NUMBER 4 – *election of Audit Committee members*

Resolution

To elect the following independent non-executive directors as members of the Audit Committee of the Company:

- John Buchanan;
- Roy Andersen; and
- Sindi Zilwa.

Explanation

Abbreviated biographical details of the directors are set out on pages 64 and 65 of the Annual Report.

Each of the ordinary resolutions above will be considered by way of a separate vote in order for each ordinary resolution to be adopted. The support of a majority of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

ORDINARY RESOLUTION NUMBER 5 – *place unissued shares under the control of directors.*

Resolution

To place the ordinary shares in the authorised but unissued share capital of the Company at the disposal and under the control of the directors until the next annual general meeting of the Company, who are hereby authorised and empowered, subject to the provisions of the Act and the Listings Requirements, to allot, issue and otherwise dispose of such shares to such person/s on such terms and conditions and at such times as the directors may from time-to-time in their discretion deem fit; provided that this resolution shall not authorise the directors to effect an issue of shares for cash as contemplated in the Listings Requirements.

Explanation

In order for this ordinary resolution to be adopted, the support of a majority of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

ORDINARY RESOLUTION NUMBER 6 – *Remuneration Policy*

Resolution

To endorse, by way of a non-binding advisory vote, the remuneration policy of the Company and the Group, as set out in the Remuneration Report commencing on page 79 of the annual report.

Explanation

In order for this ordinary resolution to be adopted, the support of a majority of votes cast by the shareholders present or represented by proxy at the Meeting is required.

ORDINARY RESOLUTION NUMBER 7 – *authorisation of an executive director to sign necessary documents*

Resolution

That any one executive director of the Company is authorised to sign all such documents and to do all such things as may be necessary for or incidental to the implementation of the resolutions passed at the Meeting.

Explanation

In order for this ordinary resolution to be adopted, the support of a majority of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

SPECIAL BUSINESS

SPECIAL RESOLUTION NUMBER 1 – *remuneration of non-executive directors*

Resolution

To approve the remuneration of non-executive directors for the year ending 30 June 2012 on the basis set out below and for the period 1 July 2012 to the date of the 2012 annual general meeting, on the basis set out.

Type of fee	Proposed base fee June 2012 R	Proposed fee per meeting June 2012 R	Current base fee June 2011 R	Current fee per meeting June 2011 R
BOARD				
Chairman	770 000*	n/a	584 000*	n/a
Director	111 000	21 000	105 000	20 000
AUDIT COMMITTEE				
Chairman	130 000	24 000	123 000	23 000
Member	60 000	10 700	58 000	10 000
RISK AND SUSTAINABILITY COMMITTEE				
Chairman	74 550	24 150	71 000	23 000
Member	42 000	10 500	40 000	10 000
REMUNERATION AND NOMINATION COMMITTEE				
Chairman	50 000	12 000	42 000	10 000
Member	25 000	6 000	21 000	5 000
TRANSFORMATION COMMITTEE				
Member	21 000	8 400	20 000	8 000

**The Chairman does not receive any additional fees for her role as Chairman. In 2011, she received a separate fee for attendance at sub-committees where she is a member. As a consequence, in addition to the fee as Chairman, she received fees of R147 000 for membership of various sub-committees. Under the 2012 proposals, the Chairman will receive a single fee and will not receive fees for her membership of sub-committees.*

Explanation

Each of the above special resolutions will be considered by way of a separate vote and in order for these resolutions to be adopted, the support of at least 75% of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

SPECIAL RESOLUTION NUMBER 2 – *financial assistance to Pharmacare Ltd in favour of Nedbank Ltd in respect of a R215 000 000 Term Loan Agreement*

Resolution

That the Company be authorised to guarantee to Nedbank Ltd punctual performance by Pharmacare Ltd of its obligations under a Term Loan Agreement, dated 18 July 2011 in terms of which Pharmacare Ltd borrowed an amount of R215 000 000.

Explanation

In order for this special resolution to be adopted, the support of at least 75% of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

SPECIAL RESOLUTION NUMBER 3 – *financial assistance to Pharmacare Ltd in favour of ABSA Bank Ltd in respect of a R215 000 000 Term Loan Agreement*

Resolution

That the Company be authorised to guarantee to ABSA Bank Ltd punctual performance by Pharmacare Ltd of its obligations under a Term Loan Agreement, dated 10 August 2011 in terms of which Pharmacare Ltd borrowed the amount of R215 000 000.

Explanation

In order for this special resolution to be adopted, the support of at least 75% of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

SPECIAL RESOLUTION NUMBER 4 – *financial assistance to related or inter-related company*

Resolution

That the Company or any of its subsidiaries, be authorised, in terms of and subject to the provisions of section 45 of the Act, at any time and from time-to-time during the period of two years commencing on the date of adoption of this special resolution, to provide direct or indirect financial assistance by way of loan, guarantee, the provision of security or otherwise to any companies or corporations that are related or inter-related to the Company.

Notice of annual general meeting continued

Explanation

In order for this special resolution to be adopted, the support of at least 75% of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

This special resolution does not authorise the provision of financial assistance to a director or a prescribed officer of the Company or any company or person related to a director or prescribed officer of the Company.

The board shall before authorising the provision of any financial assistance contemplated in this special resolution comply with the requirements set out in section 45 of the Act relating to, *inter alia*, solvency and liquidity.

SPECIAL RESOLUTION NUMBER 5 – *general authority to repurchase shares*

Resolution

To authorise the directors, by way of a general authority, to facilitate an acquisition by the Company or any of its subsidiaries, from time-to-time, from any person (including any director or prescribed officer of the Company or any person related to any director or prescribed officer of the Company) of up to a further 20% of the Company's ordinary issued share capital in terms of the Act and the Listings Requirements provided that a subsidiary may not hold more than 10% of the Company's issued share capital. Such general approval shall be valid until the next annual general meeting of the Company, provided that it shall not extend beyond 15 months from the date of the passing of this special resolution.

Explanation

It is recorded that the Listings Requirements currently require, *inter alia*, that the Company may make a general repurchase of securities only if:

- the repurchase of shares is effected through the order book operated by the JSE's trading system and done without any prior understanding or arrangement between the Company and the counter-party (reported trades are prohibited);
- acquisitions in the aggregate, in any one financial year, may not exceed 20% of the Company's issued share capital as at the date of passing this special resolution;
- repurchases are not made at a price more than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the repurchase;
- an announcement containing full details of the share repurchase is published in accordance with the Listings Requirements as soon as the Company or Group has acquired shares constituting, on a cumulative basis, 3% of the number of the ordinary shares in issue at the time the authority is granted and for each subsequent 3% purchase thereafter;
- at any point in time, the Company may only appoint one agent to effect any repurchase on the Company's behalf;
- there is a resolution by the Board of directors which resolved that they authorised the repurchase, that the Company passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the Group; and
- the Company and/or the Group do not repurchase any shares during a prohibited period as defined by the Listings Requirements, unless a repurchase programme is in place, where dates and quantities of shares to be traded during the prohibited period are fixed and full details of the programme have been disclosed in an announcement on the Stock Exchange News Service prior to the commencement of the prohibited period.

The directors have no specific intention, at present, for the Company or Group to repurchase any of the Company's shares but should the authority be granted at the Meeting, it will provide the Board of directors with the flexibility to repurchase such shares as and when the best interests of the Company require it to do so.

Additional information required to be disclosed in connection with this special resolution in terms of the Listings Requirements is contained under section D of this notice.

In order for this special resolution to be adopted, the support of at least 75% of the votes cast by the shareholders present or represented by proxy at the Meeting is required.

D. ADDITIONAL DISCLOSURE REQUIRED IN TERMS OF THE LISTINGS REQUIREMENTS RELATING TO SPECIAL RESOLUTION NUMBER 5

Solvency and liquidity statement

The directors of the Company, after considering the effect of the repurchase of the maximum number of the Company's shares in terms of the general authority to be provided in terms of special resolution number 5, are satisfied that for a period of 12 months after the date of the notice of this Meeting:

- the Company and the Group will be able in the ordinary course of business to pay its debts;
- the assets of the Company and the Group, recognised and measured in accordance with the accounting policies used in the latest audited annual Group financial statements, will be in excess of the liabilities of the Company and the Group;
- the share capital and reserves of the Company and the Group will be adequate for ordinary business purposes; and
- the working capital of the Company and the Group will be adequate for ordinary business purposes.

The Company undertakes to advise the sponsor before embarking on a general repurchase or capital distribution, in order to enable the sponsor to furnish the JSE with written confirmation of the Company's working capital.

Additional information

The following additional information, some of which may appear elsewhere in the integrated annual report of which this notice forms part, is provided in terms of the Listings Requirements for purposes of the general authority to repurchase the Company's shares as applicable:

- information relating to the directors of the Company can be found on pages 64 and 65 of the annual report for 2011.

- information relating to the major shareholders of the Company can be found on page 278 of the annual report for 2011.
- information relating to the directors' interests in the Company can be found on page 85 of the annual report for 2011.
- information relating to the share capital of the Company can be found on page 190 of the annual report for 2011.

Directors' responsibility statement

The directors, whose names appear on pages 64 and 65 of the annual report, collectively and individually accept full responsibility for the accuracy of the information pertaining to special resolution number 5 and certify that to the best of their knowledge and belief there are no facts that have been omitted which would make any statement false or misleading, and that all reasonable enquiries to ascertain such facts have been made and that special resolution number 5 contains all information required by the Listings Requirements.

Material changes

Other than the facts and developments reported on in the annual report, there have been no material changes in the affairs or financial position of the Company and its subsidiaries since the date of signature of the Audit Report and up to the date of this notice.

Litigation statement

There are no legal or arbitration proceedings which may have, or have had, during the twelve-month period preceding the date of this notice, a material effect on the financial position of the Company and the Company is not aware of any such pending or threatened proceedings.

E. INTERPRETATION

In this notice (including the proxy form attached hereto) the term:

- "Act"- means the Companies Act 71 of 2008;
- "Annual Report" – means the Annual Report for the Company for the year ended 30 June 2011, consisting of the Integrated Report, the Sustainability Report, the audited Annual Financial Statements (including the Directors' Report and the Audit Committee Report) and Shareholders Information, which was posted to shareholders during November 2011; and
- "Listings Requirements" – means the Listings Requirements of the JSE Ltd, as amended from time-to-time and as interpreted and applied or disapplied by the JSE Ltd.

By order of the Board

Hymie Shapiro
Company Secretary

Johannesburg
21 October 2011

EXPLANATORY NOTES TO RESOLUTIONS FOR CONSIDERATION AT THE ANNUAL GENERAL MEETING

Ordinary business

Ordinary Resolution Number 1 – *presentation and adoption of Annual Financial Statements*

The directors must present to shareholders at the Meeting the Annual Financial Statements incorporating the Directors' Report and the report of the auditors for the year ended 30 June 2011. These are contained within the Annual Report.

Ordinary Resolution Number 2 – *re-election of directors*

In terms of the Articles of Association of the Company, one third of the directors are required to retire at each annual general meeting and may offer themselves for re-election. In addition, any person appointed subsequent to the last annual general meeting is similarly required to retire and is eligible for re-election at the next annual general meeting. The Remuneration and Nomination Committee considered the contribution, performance and attendance of the directors offering themselves for re-election and has no hesitation in recommending them for re-appointment by the shareholders.

Ordinary Resolution Number 3 – *re-appointment of independent external auditors*

The reason for proposing this ordinary resolution is to confirm, upon the recommendation of the Audit Committee, the appointment of PricewaterhouseCoopers Inc, and the audit partner, as the independent external auditors of the Company and the Group.

Ordinary Resolution Number 4 – *election of Audit Committee members*

In terms of King III, the Audit Committee must comprise a minimum of three independent non-executive directors and further in terms of the regulations to the Act, at least one third of the members of the Committee must have academic qualifications or experience in economics, law, corporate governance, finance, accounting, commerce, industry, public affairs and human resource management. Having regard to the aforementioned, the Remuneration and Nomination Committee considered the expertise, experience and independence requirements of the members offering themselves for election and recommended to the Board that the directors be proposed to shareholders for approval.

Ordinary Resolution Number 5 – *place unissued shares under the control of directors*

It is considered advantageous to grant the directors authority to enable the Company to take advantage of business opportunities which might arise in the future. This authority is due to expire at the next annual general meeting.

Notice of annual general meeting continued

Ordinary Resolution Number 6 – *Remuneration Policy*
The reason for proposing this ordinary resolution is in order so that shareholders may endorse, by way of a non-binding advisory vote, the Company's remuneration policy as set out in the remuneration report on page 79 of the Annual Report.

Ordinary Resolution Number 7 – *authorisation of an executive director to sign necessary documents*
It is necessary to confer upon an executive director of the Company an authority to sign all documents as may be necessary for or incidental to the resolutions to be proposed at the Meeting.

Special business

Special Resolution Number 1 – *remuneration of non-executive directors*
The Company, in general meeting, as per its Articles of Association and the Act, shall from time-to-time determine the remuneration of non-executive directors, subject to shareholder approval.

Special Resolution Number 2 – *financial assistance to Pharmacare Ltd in favour of Nedbank Ltd in respect of a R215 000 000 Term Loan Agreement*
Under a Term Loan Agreement, dated 18 July 2011 ("the Nedbank Term Loan Agreement") Pharmacare Ltd borrowed an amount of R215 000 000 from Nedbank Ltd for the purpose of funding Pharmacare Ltd's working capital requirements and capital expenditure and re-financing existing short-term borrowings (the purpose of which was to fund on-going operating expenditure and working capital) which will enhance Pharmacare Ltd's liquidity position. Subject to the passing of a special resolution in terms of section 45 of the Act the Company undertook to guarantee the punctual performance by Pharmacare Ltd under the Nedbank Term Loan Agreement. In terms of section 45 of the Act, the Company may not provide financial assistance contemplated in the Nedbank Term Loan Agreement without prior approval by way of a special resolution. The reason for proposing the special resolution is to permit and authorise the Company to provide the guarantee to Nedbank Ltd.

Special Resolution Number 3 – *financial assistance to Pharmacare Limited in favour of ABSA Bank Ltd in respect of a R215 000 000 Term Loan Agreement*
Under a Term Loan Agreement, dated 10 August 2011 ("the ABSA Term Loan Agreement") Pharmacare Ltd borrowed an amount of R215 000 000 from ABSA Bank Ltd for the purpose of funding Pharmacare Ltd's working capital requirements and capital expenditure and re-financing existing short-term borrowings (the purpose of which was to fund on-going operating expenditure and working capital) which will enhance Pharmacare Ltd's liquidity position. Subject to the passing of a special resolution in terms of section 45 of the Act the Company undertook to guarantee the punctual performance by Pharmacare Ltd to ABSA Bank Ltd under the ABSA Term Loan Agreement. In terms of section 45 of the Act, the Company may not provide financial assistance contemplated in the ABSA Term Loan Agreement without prior approval by way of a special resolution. The reason for proposing the special resolution is to permit and authorise the Company to provide the guarantee to ABSA Bank Ltd.

Special Resolution Number 4 – *financial assistance to related or inter-related company*
In accordance with section 45 of the Act, the Company may not provide financial assistance contemplated in section 45 of the Act without a special resolution. The reason for proposing the special resolution is to permit and authorise the Company and/or any subsidiaries to authorise the Company to provide direct or indirect financial assistance, by way of a loan, guaranteeing of a loan or other obligation or securing of a debt or other obligation, to the recipients contemplated in special resolution number 4.

It is difficult to foresee the exact details of financial assistance that the Company and/or its subsidiaries may be required to provide over the next two years. It is essential, however, that the Company is able to organise effectively its internal financial administration. For these reasons and because it would be impractical and difficult to obtain shareholder approval every time the Company and/or its subsidiaries wishes to provide financial assistance as contemplated above, it is necessary to obtain the approval of shareholders, as set out in special resolution number 4.

It should be noted that this resolution does not authorise financial assistance to a director or a prescribed officer of the Company or any company or person related to a director or prescribed officer of the Company.

Special Resolution Number 5 – *general authority to repurchase shares*
The reason for proposing this special resolution is to permit and authorise the Company and/or any subsidiaries to acquire its own shares. The effect will be to grant the directors a general authority to purchase shares in the Company. Such general authority will provide the Board with the flexibility, subject to the requirements of the Act and the Listings Requirements, to repurchase the Company's shares should it be in the interests of the Company while the general authority exists. This general authority shall be valid until the next annual general meeting, provided that it shall not extend beyond 15 months from the date of passing this special resolution.

Form of proxy

ASPEN PHARMACARE HOLDINGS LIMITED
Incorporated in the Republic of South Africa
Registration number 1985/002935/06
("Company")
JSE share code APN
ISIN code ZAE 000066692

This proxy form relates to the 13th annual general meeting ("Meeting") to be held at Building Number 1, Healthcare Park, Woodlands Drive, Woodmead, Johannesburg, Gauteng, on Thursday, 1 December 2011 at 09:30.

This proxy form is for use by certificated shareholders and dematerialised shareholders whose shareholding is recorded in their own name in the sub-register maintained by their Central Securities Depository Participant ("CSDP") ("own-name" dematerialised shareholders"). It is not for use by dematerialised shareholders (other than "own name" dematerialised shareholders). Such dematerialised shareholders should provide their CSDP or broker with their voting instructions.

This proxy form must be returned to the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, First Floor, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), to be received by no later than 09:30 on Wednesday, 30 November 2011.

Please read the notes on the reverse hereof carefully, which, among other things, set out the rights of shareholders in terms of section 58 of the Companies Act with regard to the appointment of proxies.

Please print clearly when completing this form and see the instructions and on the reverse of this form for an explanation of the use of this proxy form and the rights of the shareholder and the proxy.

I/We (please print name in full) ____________________

of (address) ____________________

being the holder(s) of ____________ ordinary shares/A preference shares in the Company (see note 4), do hereby appoint

____

or, failing him/her, the Chairman of the Meeting (see note 5) as my/our proxy to vote, attend and speak for me/us and on my/our behalf at the Meeting (including any poll and all resolutions put to the Meeting) at the Meeting, even if the Meeting is postponed, and at any resumption of the Meeting after any adjournment (see note 6).
I/We desire my/our proxy to vote as follows (see note 7):

VOTING INSTRUCTIONS	For	Against	Abstain
Ordinary business			
Ordinary Resolution Number 1 – *presentation and adoption of Annual Financial Statements*			
Ordinary Resolution Number 2 – *re-election of non-executive directors*			
(a) Roy Andersen			
(b) Sindi Zilwa			
(c) Chris Mortimer			
Ordinary Resolution Number 3 – *re-appointment of independent external auditors*			
Ordinary Resolution Number 4 – *election of Audit Committee members*			
(a) John Buchanan			
(b) Roy Andersen			
(c) Sindi Zilwa			
Ordinary Resolution Number 5 – *place unissued shares under the control of directors*			
Ordinary Resolution Number 6 – *Remuneration Policy (non-binding)*			
Ordinary Resolution Number 7 – *authorisation of an executive director to sign necessary documents*			
Special business			
Special Resolution Number 1 – *remuneration of non-executive directors*			
Special Resolution Number 2 – *financial assistance to Pharmacare Ltd in favour of Nedbank Ltd in respect of a R215 000 000 Term Loan Agreement*			
Special Resolution Number 3 – *financial assistance to Pharmacare Ltd in favour of ABSA Bank Ltd in respect of a R215 000 000 Term Loan Agreement*			
Special Resolution Number 4 – *financial assistance to related or inter-related company*			
Special Resolution Number 5 – *general authority to repurchase shares*			

Signed this ____________ day of ____________ 2011

Signature ____________________

Explanatory notes to form of proxy

1. This proxy form will not be effective at the Meeting unless received by the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, First Floor, 70 Marshall Street, Johannesburg, 2001, before 09:30 by Wednesday 30 November 2011 (or 24 hours before the time appointed for the resumption of an adjourned Meeting). If a shareholder does not wish to deliver this proxy form to that address, it may also be posted, at the risk of the shareholder, to Computershare Investor Services (Pty) Ltd, PO Box 61051, Marshalltown, 2107.

2. This proxy form is for use by registered shareholders who wish to appoint another person (a proxy) to participate in, and speak and vote at, on their behalf at the Meeting. Other shareholders should not use this form. All beneficial shareholders who have dematerialised their shares through a CSDP or broker must provide the CSDP or broker with their voting instruction. Alternatively, if they wish to attend the Meeting in person, they should request the CSDP or broker to provide them with a letter of representation in terms of the custody agreement entered into between the beneficial shareholder and the CSDP or broker.

3. Where there are joint holders of shares any one holder may sign this form of proxy; and the vote(s) of the senior shareholders (for that purpose seniority will be determined by the order in which the names of shareholders appear in the Company's securities register) who tenders a vote (whether in person or by proxy) will be accepted to the exclusion of the vote(s) of the other joint shareholder(s).

4. This proxy form shall apply to all the ordinary shares/A preference shares registered in the name of the shareholder who signs this proxy form at the record date unless a lesser number of shares is inserted. A shareholder or the proxy is not obliged to cast all the votes exercisable by the shareholder or by the proxy, but the total of the votes cast or in respect of which an abstention is recorded may not exceed the total number of the votes exercisable by the shareholder or by the proxy.

5. A shareholder may appoint one person of his own choice as his proxy by inserting the name of such proxy in the space provided, and by signing and dating the proxy form. Any such proxy need not be a shareholder of the Company. If the name of the proxy is not inserted, the Chairman of the Meeting will be appointed as proxy. If more than one name is inserted, then the person whose name appears first on the form of proxy and who is present at the Meeting will be entitled to act as proxy to the exclusion of any persons whose names follow. The proxy appointed in this proxy form may delegate the authority given to him in this proxy form by delivering to the Company, in the manner required by these instructions, a further proxy form which has been completed in a manner consistent with the authority given to the proxy in this proxy form.

6. Unless revoked, the appointment of a proxy in terms of this proxy form shall remain valid until the end of the Meeting, even if the Meeting or a part thereof is postponed or adjourned. This proxy form shall not be used at the resumption of an adjourned Meeting if it could not have been used at the Meeting from which it was adjourned for any reason other than that it was not lodged timeously for the Meeting from which the adjournment took place.

7. A shareholder must insert an "X" in the space provided according to how he/she wishes the votes attaching to its ordinary shares/A preference shares to be cast.

8. This form of proxy shall, in addition to the authority granted under the Companies Act, be deemed to confer the power generally to act at the Meeting, subject to the specific direction as to the manner of voting in this proxy form. Accordingly, if:

   8.1. a shareholder does not indicate on this instrument that the proxy is to vote in favour of or against or to abstain from voting on any resolution; or

   8.2 the shareholder gives contradictory instructions in relation to any matter; or

   8.3 any additional resolution/s are properly put before the meeting; or

   8.4 any resolution listed in the proxy form is modified or amended,

   then the proxy shall be entitled to vote or abstain from voting, as he thinks fit, in relation to that resolution or matter. If, however, the shareholder has provided further written instructions which accompany this form and which indicate how the proxy should vote or abstain from voting in any of the circumstances referred to in 8.1 to 8.4, then the proxy shall comply with those instructions.

9. If this proxy is signed by a person on behalf of the shareholder, whether in terms of a power of attorney or otherwise, then this proxy form will not be effective unless:

   9.1 it is accompanied by a certified copy of the authority given by the shareholder to the signatory; or

   9.2 the Company has already received a certified copy of that authority.

10. A minor or any other person under legal incapacity must be assisted by his parent or guardian, as applicable, unless the relevant documents establishing his capacity are produced or have been registered with the Company.

11. The Chairman of the Meeting may, in his discretion, accept or reject any proxy form or other written appointment of a proxy which is received by the Chairman prior to the time when the Meeting deals with a resolution or matter to which the appointment of the proxy relates, even if that appointment of a proxy has not been completed and/or received in accordance with these instructions. However, the Chairman shall not accept any such appointment of a proxy unless the Chairman is satisfied that it reflects the intention of the shareholder appointing the proxy.

12. The completion and lodging of this form of proxy will not preclude the relevant shareholder from attending the Meeting and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so. Accordingly, the appointment of a proxy in terms hereof shall be suspended at any time and to the extent that the shareholder chooses to act directly and in person in the exercise of any rights as a shareholder.

13. The appointment of the proxy is revocable and a shareholder may revoke the proxy appointment by (i) cancelling it in writing, or making a later inconsistent appointment of a proxy, and (ii) delivering a copy of the revocation instrument to the proxy and to the Company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (i) the date stated in the revocation instrument, if any, or (ii) the date on which the revocation instrument was delivered to the Company.

14. A vote cast or act done in accordance with the terms this proxy form shall be deemed to be valid notwithstanding:

    14.1 the previous death, insanity, or any other legal disability of the person appointing the proxy, or

    14.2 the revocation of the proxy in terms of paragraph 11, or

    14.3 the transfer of a share in respect of which the proxy was given,

    unless notice as to any of the abovementioned matters shall have been received by the Company at the office or by the Chairman of the Meeting, before the commencement or resumption (if adjourned) of the Meeting at which the vote was cast or the act was done or before the poll on which the vote was cast.

15. All notices which a shareholder is entitled to receive in relation to the Company shall continue to be sent to that shareholder and shall not be sent to the proxy, unless the shareholder has directed the Company to do so, in writing, and paid any reasonable fee charged by the Company for doing so.

16. Companies and other corporate bodies who are shareholders of the Company having shares registered in their own names may, instead of completing this proxy form, appoint a representative to represent them and exercise all of their rights at the Meeting by giving written notice of the appointment of that representative. That notice will not be effective at the Meeting unless it is accompanied by a duly certified copy of the resolution/s or other authorities in terms of which that representative is appointed and is received by the Company's transfer secretaries, Computershare Investor Services (Pty) Ltd, First Floor, 70 Marshall Street, Johannesburg, 2001 by not later than 09:30 on Wednesday, 30 November 2011 (or 24 hours before the time appointed for the resumption of an adjourned Meeting). If a shareholder does not wish to deliver that notice to that address, it may also be posted, at the risk of the shareholder, to PO Box 61051, Marshalltown, 2107.

Shareholders' diary

Financial year-end	30 June 2011
Annual general meeting	1 December 2011

Reports and Group results announcement for the 2012 financial year

Interim report	March 2012
Profit announcement for the year	September 2012
Annual Financial Statements	November 2012

Administration

Company Secretary
Hymie Shapiro
CA(SA), HDipTax Law

Registered office and postal address
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PO Box 1587, Gallo Manor, 2052
Telephone 011 239 6100
Telefax 011 239 6144

Registration number
1985/002935/06

Share code
APN ISIN: ZAE 000066692

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Werksmans Inc. Attorneys
Chris Mortimer & Associates

Auditors
PricewaterhouseCoopers Inc.

Bankers
Absa Bank Ltd
Commonwealth Bank of Australia
First National Bank, a division of FirstRand Bank Ltd
Investec Bank Ltd
National Australia Bank Ltd
Nedbank Ltd
Old Mutual Specialised Finance
Rand Merchant Bank, a division of FirstRand Bank Ltd
The Standard Bank of South Africa Ltd

Sponsors
Investec Securities Ltd

Transfer secretaries
Computershare Investor Services (Pty) Ltd
Transfer office: 70 Marshall Street, Johannesburg
PO Box 61051, Marshalltown, 2107
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Disclaimer

We may make statements that are not historical facts and relate to analyses and other information based on forecasts of future results and estimates of amounts not yet determinable. These are forward-looking statements as defined in the U.S. Private Securities Litigation Reform Act of 1995. Words such as "believe", "anticipate", "expect", "intend", "seek", "will", "plan", "indicate", "could", "may", "endeavour" and "project" and similar expressions are intended to identify such forward-looking statements, but are not the exclusive means of identifying such statements. By their very nature, forward-looking statements involve inherent risks and uncertainties, both general and specific, and there are risks that predictions, forecasts, projections and other forward-looking statements will not be achieved. If one or more of these risks materialise, or should underlying assumptions prove incorrect, actual results may be very different from those anticipated. The factors that could cause our actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in such forward-looking statements are discussed in each year's Annual Report. Forward-looking statements apply only as of the date on which they are made, and we do not undertake other than in terms of the Listings Requirements of the JSE Ltd, any obligation to update or revise any of them, whether as a result of new information, future events or otherwise. All profit forecasts published in this report are unaudited.

www.aspenpharma.com

BASTION GRAPHICS

aspen

HOLDINGS

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